

TENNESSEE LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION
150 3RD AVENUE SOUTH, SUITE 1600
NASHVILLE, TENNESSEE 37201
(615) 242-8758

October 28, 2016

VIA EMAIL

Julie.Vallejo@cot.tn.gov

Julie Maguire Vallejo
Legislative Liaison
Performance Audit Section
Office of the Comptroller
Suite 1500, James K. Polk Building
505 Deaderick Street
Nashville, TN 37243

RE: Sunset Questionnaire

Dear Ms. Vallejo:

On behalf of the Tennessee Life and Health Insurance Guaranty Association, please find attached the responses to questionnaire transmitted with our email dated September 27, 2016.

I will be present at the hearing on November 15, 2016, on behalf of the Association.

Thank you for your attention to the attached, and please let me know if you need additional information.

Very truly yours,

TENNESSEE LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION



Dan H. Elrod
Administrator

Attachments

Sunset Public Hearing Questions for
Tennessee Life and Health Insurance Guaranty Association
Created by Section 56-12-205, *Tennessee Code Annotated*
(Sunset termination June 2017)

- 1. Provide a brief introduction to the Tennessee Life and Health Insurance Guaranty association, including information about its purpose, statutory duties, staff, and administrative attachment.**

The Tennessee Life and Health Insurance Guaranty Association (the "Association") was created in 1988, pursuant to Tenn. Code Anno. §§ 56-12-201, *et seq.* The purpose of the Association is to create a safety net of coverage for Tennessee residents who are policyholders of life or accident and health insurers that become insolvent. All life and accident and health insurers authorized to conduct business in Tennessee are required to be members of the Association by law.

The Association pays claims and provides continuing coverage to Tennessee policyholders of insolvent companies, subject to certain limitations and exceptions. The activities of the Association are funded solely by assessment on member companies. There are two classes of assessments: Class A assessments for administrative expenses and Class B assessments for providing benefits to policyholders.

In most insolvencies, the obligations of the Association are met by the Association participating in an arrangement with a qualified company to assume the business of the failed company. The Association provides the funding for the assumption reinsurance transaction. Such arrangements are subject to approval by the receivership court and regulatory authorities.

Every state has a life and health insurance guaranty association. The state guaranty associations have formed a national organization, the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA"). NOLHGA coordinates the activities of the state guaranty associations on multi-state insolvencies, serves as a clearing house for information and develops information and programs to improve the operational efficiencies of the state guaranty associations.

The Association is not a state agency, but is a private, non-profit entity qualified as a tax exempt organization under IRC § 501(c)(6). The Association is governed by a nine-member board, composed of representatives of member companies. The day-to-day activities of the board are administered by Dan Elrod through a contract with his law firm, Butler Snow, LLP. Through this arrangement, the law firm provides space for the Association. Mr. Elrod, with the assistance of others at Butler Snow, maintains the books and records of the Association, handles policyholder inquiries, works with insurance regulatory authorities, reviews and evaluates the various reinsurance transactions used to meet the Association's obligations and represents the Association in various processes of NOLHGA. The Association employs an independent accounting firm to conduct an annual audit and file the Association's tax return. In addition, the Association uses the services of other vendors to calculate assessments and upgrade software.

The Association's obligations to provide benefits, and the Class B assessments levied on member companies to fund these benefits, are categorized by lines of business : (1) life insurance; (2) annuities and (3) health insurance.

Since its inception, the Association (through its members) has paid almost \$130 million to Tennessee residents covered by insurance policies issued by companies that have become insolvent.

- 2. Provide a list of the current board of directors and describe how membership complies with Section 56-12-206, *Tennessee Code Annotated*. Are there any vacancies on the board? If so, what steps have been taken to fill the vacancies? Does membership include a member who is sixty years of age or older? A member of a racial minority? A member who is female**

The following is a list of member companies (with state of domicile) that compose the current Board of Directors:

CIGNA Healthcare (TN)
Tennessee Farmers Life Insurance Company (TN)
American General Life Insurance Company (TX)
Prudential Insurance Company of America (NJ)
Unum Life Insurance Company of America (ME)
BlueCross BlueShield of Tennessee-Chattanooga (TN)
Plateau Insurance Company (TN)
Protective Life Insurance Company (TN)
State Farm Life Insurance Company (IL)

There are currently no vacancies on the Board. The members are elected for staggered three-year terms, with three terms expiring each year. The existing Board makes nominations for election to fill expiring terms. The entire membership is provided notice of these nominations and other companies have an opportunity to submit additional nominations. If additional nominations are submitted, an election to the Board is conducted through proxy vote of the entire membership. If no other nominations are submitted, under the Association's Plan of Operation, the secretary of the Board casts one vote in favor of the slate of nominees. All nominees elected are submitted to the Commissioner of Commerce and Insurance.

The company members appoint individuals to represent the company on the Board, so the individual representatives on the Board may vary from time to time. Currently, within the nine (9) individuals currently serving in a representative capacity on the Board, 4 are over 60; 3 are women and 1 is African American

- 3. How many times did the board meet in fiscal years 2015 and 2016, and how many members were present at each meeting?**

The Association's fiscal year is the calendar year. The Board of Directors met one (1) time in 2015, with eight (8) members present. Through September 30, 2016, the Board has had one (1) meeting, with nine (9) member present.

4. What per diem or travel reimbursement do board members receive? How much was paid to association members during fiscal years 2015 and 2016?

Under Tenn. Code Ann. § 56-12-206(c), the board members may receive reimbursement for travel only in accordance with the state of Tennessee travel regulations. Members are not otherwise compensated for their services. Board members received travel reimbursements totaling \$166.92 for calendar year 2015 and \$0.00 for 2016 through September 30.

5. What were the association's revenues (by source) and expenditures (by object) for fiscal years 2015 and 2016? Does the association carry a fund balance and, if so, what is the total of that fund balance? If expenditures exceeded revenues, and the association does not carry a fund balance, what was the source of the revenue for the excess expenditures?

Revenues and expenditures for calendar year 2015 and 2016 through September 30 are as follows:

Calendar Year 2015 Revenues

Class A Assessments	\$	400,865.00
Class B Assessments	\$	0
Distributions from Estates of Insolvent Companies	\$	1,555,837.00
Interest	\$	462,947.00

Calendar Year 2015 Expenses

Class A (Administrative including dues to NOLHGA)	\$	199,912.00
Class B (Benefits to Policyholders including administrative expenses attributed to an insolvency)	\$	798,697.00

Calendar Year 2016 (through 9/30) Revenues

Class A Assessments	\$	0
Class B Assessments	\$	0
Distributions from Estates of Insolvent Companies	\$	190,583.48
Interest	\$	836,656.55

Calendar Year 2016 (through 9/30) Expenses

Class A (Administrative including dues to NOLHGA)	\$	168,919.00
Class B (Benefits to Policyholders including administrative expenses attributed to an insolvency)	\$	253,844.34

The Associations fund balances as of September 30, 2016, are as follows:

Class A Funds – \$176,416 (available for administrative expenses)

Class B Funds – \$47,217,171 (available for benefits payable to policyholders under current and future insolvencies)

- 6. Is the board subject to Sunshine law requirements (Section 8-44-101 et seq.) for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the association have for informing the public of its meetings and making its minutes available to the public?**

The Association is not a state agency, and is not subject to the Sunshine law.

- 7. How does the association ensure that its members and staff are operating in an impartial manner and that there are no conflicts of interest? If the association operates under a formal conflict of interest policy, please attach a copy of that policy.**

The Board of Directors has adopted a Conflicts of Interest Policy, a copy of which is attached as Exhibit A.

- 8. Can the association promulgate rules? If so, please cite the reference.**

The Association is not a state agency and it has no rulemaking authority.

- 9. What were the major accomplishments of the association during fiscal years 2015 and 2016? Specifically, describe any Class A and Class B assessments upon member insurers, impairments or insolvencies dealt with and liabilities (number of claims, dollar amounts) resulting from insolvencies.**

The Association provided significant benefits in 2015 and 2016 to Tennessee residents covered by insurance policies issued by companies that have been declared insolvent. Benefits paid in 2015 and through September 30, 2016 by line of business are as follows:

Life – \$434,798
Annuity – \$26,953
Health – \$212,403

The Association levied a Class A assessment in 2015 in the total amount of \$403,800. No Class A assessment will be levied in 2016. No Class B assessment was levied in 2015, and a Class B assessment will not be levied in 2016.

- 10. Describe who is protected (and not protected), and to what extent, against the impairment of insolvency of the insurer. What is the state's liability for claims filed by policyholders of troubled insurance companies (both companies domiciled in Tennessee and outside Tennessee).**

The protections provided by the Tennessee Life and Health Insurance Guaranty Association Act (Tenn. Code Ann. §§ 56-12-201, et seq.) are for the benefit of those persons (1) who are policyholders of companies authorized to conduct business in Tennessee that become insolvent, and (2) who are residents of the state of Tennessee on the date of insolvency. The coverage limits were updated in legislation enacted in 2009 and 2010 to be consistent with the current NAIC Model legislation. The current benefit limits per individual are as follows:

- \$300,000 in life insurance death benefits;
- \$100,000 in cash surrender and net cash withdrawal for life insurance;
- \$500,000 in basic health/major medical insurance benefits;
- \$300,000 in long term care/disability insurance benefits;
- \$100,000 in miscellaneous health insurance benefits (i.e., hospital indemnity, specified disease, etc.);
- \$250,000 in present value of annuity benefits

There is an aggregate limit with respect to each individual of \$300,000 for all benefits per insolvent company, except for basic health/major medical insurance benefits in which case the aggregate limit per individual is \$500,000.

In addition, the Association has no liability for policy values that are attributable to interest rates in excess of a formula rate set forth in the statute (Tenn. Code Ann. §56-12-204(b)(2)(C)).

The Association is unaware of any basis for state liability to policyholders of troubled insurance companies. Companies that pay Class B assessments are permitted to credit such payments against their Tennessee premium tax, although such credit must be spread over ten (10) years.

11. Has the board set any goals and measured its own or association's performance compared to the goals? What performance indicators does management use to measure the effectiveness and efficiency of the board and the association? How well have the board and the association performed, based on those performance indicators?

The Board of Directors routinely considers ways to improve the effectiveness and the operating efficiency of the Association. Through its membership in NOLHGA, the Board receives ideas for operational improvement and these are frequently implemented. Also, through the Association's participation in NOLHGA, and because some Board members serve on the boards of multiple guaranty associations, the Board is aware of how the Association's cost effectiveness and operational efficiency compares generally with that of other states. The Board regularly determines that the efficiency and cost-effectiveness of the Association compare very favorably with other life and health insurance guaranty associations.

12. Has the association prepared and submitted to the Commissioner of the Department of Commerce and Insurance an annual financial report and report of activities as required by Section 56-12-214, *Tennessee Code Annotated*? What other reports does the association prepare on its operations, activities, and accomplishments and who receives the reports? Please attach copies of the most recent reports.

Yes, the report required by §56-12-214 is submitted as required by law, and the most recent report is attached as Exhibit B. In addition, the Association is subject to examination by the Tennessee Department of Commerce and Insurance at least every five (5) years. The Association was examined by the Department through the year ending December 31, 2013, and copy of the examination report is attached as Exhibit C.

- 13. Has the association submitted to the commissioner a plan of operation as required by Section 56-12-209, *Tennessee Code Annotated*? If so, how does the plan meet the requirements enumerated in Section 56-12-209(c)? How are amendments submitted? Has the commissioner ever had to adopt rules in the absence of amendments as authorized in Section 56-12-209(a)(2), *Tennessee Code Annotated*?**

Yes, a plan of operation as required by law has been in effect since the Association's inception. The plan fully complies with the provision of §56-12-209. The commissioner has not been required to adopt rules because of an absence of a plan of operation.

- 14. Describe any items related to the association that require legislative attention and your proposed legislative changes.**

We are not aware of any items requiring legislative attention.

- 15. Should the association be continued? To what extent and in what ways would the absence of the association endanger the public health, safety, or welfare?**

The Association should be continued. Failure to do so would result in Tennessee being the only state in the country without a guaranty fund to provide residents with some degree of protection if an insurance company writing life insurance, annuities or health insurance in Tennessee becomes insolvent.

- 16. Please list all association programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by program/activity.**

None.

*If the association does receive federal assistance, please answer questions 17 through 24.
If the association does not receive federal assistance, proceed directly to question 23.*

- 17. Does your association prepare a Title VI plan? If yes, please provide a copy of the most recent plan.**

- 18. Does your association have a Title VI coordinator? If yes, please provide the Title VI coordinator's name and phone number and a brief description of his/her duties. If not, provide the name and phone number of the person responsible for dealing with Title VI issues.**

- 19. To which state or federal association (if any) does your association report concerning Title VI? Please describe the information your association submits to the state or federal government and/or provide a copy of the most recent report submitted.**

20. Describe your association's actions to ensure that association staff and clients/program participants understand the requirements of Title VI.

21. Describe your association's actions to ensure it is meeting Title VI requirements. Specifically, describe any association monitoring or tracking activities related to Title VI, and how frequently these activities occur.

22. Please describe the association's procedures for handling Title VI complaints. Has your association received any Title VI-related complaints during the past two years? If yes, please describe each complaint, how each complaint was investigated, and how each complaint was resolved (or, if not yet resolved, the complaint's current status).

23. Please provide a breakdown of current association staff by title, ethnicity, and gender.

The Association has no employees.

24. Please list all association contracts, detailing each contractor, the services provided, the amount of the contract, and the ethnicity of the contractor/business owner.

The Association has the following contracts for services:

Butler Snow, LLP – law firm; contract for administration and legal services. Butler Snow, LLP, is large, ethnically-diverse and gender-diverse organization. The 3 individuals who work directly on Association matters are all Caucasian, 2 female and 1 male. The total amount of fees, expense reimbursement and facilities and staff allowance paid to Butler Snow in 2015 was \$99,738.84.

Faulkner Mackie & Company – accounting firm; contract for audit and tax return services. The Association does not have information about the ethnic composition of Faulkner Mackie. The individuals who worked on the last audit were all Caucasian, 2 female and 1 male. The total amount paid to Faulkner Mackie in 2015 was \$20,750.57.

Thornthwaite and Associates – actuarial firm; data processing services and computational work related to assessments. The Association does not have information about the ethnic composition of Thornthwaite and Associates. The individual who generally work on Association matters is a Caucasian male. The total amount paid to Thornthwaite and Associates in 2015 was \$3,145.00.

Tax Accounting & Business Services – software vendor: accounting software updates and maintenance. The Association does not have information about the ethnic composition of Tax Accounting & Business Services. The total amount paid to this firm in 2015 was \$185.96.

EXHIBIT A

**TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION
POLICY STATEMENT ON
CONFLICTS OF INTEREST AND BUSINESS ETHICS**

The Board of Directors of the Tennessee Life and Health Insurance Guaranty Association ("TLHIGA") wishes to reemphasize the organization's commitment to the highest possible ethical standards. Although much of what comprises these standards are matters of common sense, the Board wishes to underscore the organization's commitment to them by formalizing and supplementing current practices and procedures in this written Policy Statement. This Policy Statement includes the following rules which heretofore have been observed in practice, but not memorialized in a Policy Statement.

Rule 1.

A member of the Board, the Administrator or a person retained by TLHIGA as a consultant may not accept any gift or favor, however nominal, which could reasonably be perceived as tending to influence any advice provided to, services rendered to or business decision made or to be made on behalf of TLHIGA by the recipient.

Rule 2.

A Board member, the Administrator or a person retained by TLHIGA as a consultant may not utilize any nonpublic information acquired as a result of the performance of duties on behalf of TLHIGA to derive any monetary benefit, through securities trading or otherwise, directly or indirectly, either on behalf of the Board member or the representative of the Board member. All such nonpublic information, if material, shall be disseminated only on a "need to know" basis and under circumstances where the recipient of such information has committed to keep such information confidential and not use such information to derive any monetary benefit. Generally, material nonpublic information should be safeguarded even if TLHIGA has not been required to commit to a formal confidentiality agreement.

Rule 3.

All Board members, the Administrator, and all persons retained by TLHIGA as consultants shall immediately and fully disclose to the Board any interest in any matter which might reasonably represent a conflict of interest or the appearance of one within the context of the Board member's duties for TLHIGA.

Rule 4.

A Board member, the Administrator, or any person retained by TLHIGA as a consultant, who becomes aware of any violation or possible violation by someone else of any of these rules, shall immediately report the facts and circumstances in confidence to the Executive Committee of the Board of Directors.

GENERAL

For purposes of achieving uniformity in application, all questions of interpretation and other issues under this Policy Statement shall be decided by the TLHIGA Board of Directors. All decisions thereof shall be final. Each member of the Board of Directors shall be required to execute annually a statement affirming that no violations of the conflicts policy have occurred in the preceding year, and acknowledging understanding of the responsibility to abide by the Policy Statement. The arrangements with the Administrator and with retained consultants shall include an affirmative representation regarding adherence to the Policy Statement.

The Board reserves the right to amend or supplement this Policy Statement at any time.

Inquiries, concerns and other communications about this Policy Statement shall first be directed to the Chairman, who shall keep the Board appropriately informed.

CERTIFICATION

As a representative of a member of the Board of Directors of the Tennessee Life and Health Insurance Guaranty Association, the undersigned hereby states as follows:

- (1) I have read and understand the Policy Statement on Conflicts of Interest and Business Ethics of the Tennessee Life and Health Insurance Guaranty Association;
- (2) I acknowledge that I am responsible for abiding by the provisions of the Policy Statement;
- (3) I am unaware of any acts or omissions that would constitute a violation of the Policy Statement.

Date: _____

Signature

Print Name: _____

EXHIBIT B

2015 ANNUAL REPORT

OF THE

**TENNESSEE LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION**

TO THE

DEPARTMENT OF COMMERCE AND INSURANCE

OF THE

STATE OF TENNESSEE

Submitted May 1, 2016

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Tab 1

TENNESSEE LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION
150 3RD AVENUE SOUTH, SUITE 1600
NASHVILLE, TENNESSEE 37201
(615) 242-8758

May 1, 2016

ANNUAL REPORT FOR 2015

The following is a report of activities of the Tennessee Life and Health Insurance Guaranty Association (the "Association") for the year 2015.

1. **FINANCIAL REPORT AND AUDIT**

An audited statement prepared by Faulkner Mackie & Cochran, P.C. for the year 2015 is attached to the end of this report.

2. **ASSESSMENTS**

A Class A Assessment was issued in 2015 for the year 2014 and 2015.

3. **NATIONAL ORGANIZATION OF LIFE AND HEALTH GUARANTY ASSOCIATIONS**

The Association continued its participation in the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") in 2015. NOLHGA is an essential aspect of the handling of multi-state insolvencies. The Association's 2015 membership dues were \$61,508.00. In addition, the Association paid its proportionate share of NOLHGA's expenses with regard to various insolvencies and expenses associated with the preparation of the NOLHGA assessment data survey.

4. **INSOLVENCIES**

Status reports on insolvent companies with open estates that had material activity in 2015 are attached.

5. **ANNUAL MEETING, BOARD OF DIRECTORS MEETING**

The Association held its annual meeting on May 5, 2015, at which time members of the Board of Directors and officers were elected, and the Administrator appointed. Minutes of the meeting are attached.

The Audit Committee met on April 16, 2015, November 11, 2015 and December 2, 2015. Minutes of those meetings are also attached.

6. **BANKING/INVESTMENTS**

The Association had the following accounts with First Tennessee Bank (1) Class A Checking account; (2) Class A Savings account; and (3) Class B Checking account. In August 2015, these accounts were transferred to Pinnacle Bank. Because of the significant amount of asset recoveries from insolvent estates, the Association maintains an account with MorganStanley. The funds are invested in money market accounts or U.S. Government and federal agency bonds until funds are needed to pay claims or expenses. Attached is a Summary of Invested Assets as of December 31, 2015, prepared by the Association and a Rates of Return Summary prepared by MorganStanley outlining the yield on investments for the year 2015, and comparing the yield with investment indices.

Tab 2

STATUS REPORT

As of December 31, 2015

Company: LINCOLN MEMORIAL LIFE INSURANCE CO. (TX)
Status: In Liquidation
Insolv/Rehab Date: August 11, 2008

CLASS B ASSESSMENT

Account	Amount	Authorized	Levied
Life:			
Annuity:			
Health:			
Total:			

CLAIMS PAID

Life Claims: \$ 3,249,400.00	Reinsurance:
Annuity Claims:	Reinsurance:
Health Claims:	Reinsurance:

ADMINISTRATIVE EXPENSES

Life A/E: \$ 727,434.00 (reflects \$27,279.00 refund from NOLHGA March 2009)
Annuity A/E:
Health A/E:

RECEIPTS

Life Premium:	Estate Dist:	\$2,380,667.00
Annuity Premium:	Estate Dist:	
Health Premium:	Estate Dist:	

LINCOLN MEMORIAL LIFE INSURANCE COMPANY

COMMENTS

Lincoln Memorial Life Insurance Company of Texas and its two affiliated companies, National Prearranged Services, Inc. ("NPS") and Memorial Service Life Insurance Company were placed in liquidation by the Texas Department of Insurance on August 11, 2008. Memorial Service Life only conducted business in Texas. NPS is a funeral service company involved in the sale of pre-need contracts. NPS is not a licensed insurer, but is part of the insurance insolvency proceeding based upon the liquidator's findings that the operations of NPS were inextricably interwoven with those of the insurance company.

Lincoln Memorial was licensed in over 40 states, including Tennessee. Over 90% of the business in Lincoln Memorial was inappropriately manipulated by NPS, including the following unauthorized activities: policy loans; conversion of whole life contracts to term policies; conversion of policies to paid up policies; and the lapse of policies.

The Association is participating in the Liquidation Plan and Service and Early Access Agreement by and among the Special Deputy Receiver of Lincoln Memorial Life Insurance Company, Memorial Service Life Insurance Company and National Prearranged Services, Inc. Under the plan, the Association agreed to a run-off process and to pay claims as they arise at face value of the insurance policy only. As of December 31, 2015, the Association had funded claims in excess of \$3.3 million. The Association's total estimated exposure is about \$8.5 million, or about 2.2% of the total liabilities of the company.

On August 6, 2009 suit was filed in the U.S. District Court for the Eastern District of Missouri on behalf of several guaranty associations including Tennessee against the former principals of the company and others who were allegedly involved in the financial mismanagement of the company. This litigation has resulted in various settlements and recoveries totaling about \$131 million, as well as a judgment against PNC Bank in the amount of \$290 million. The judgment against PNC has been appealed. A successful outcome in the PNC case could significantly reduce the Association's exposure in this insolvency.

The Association has received the statutory deposit which had been held by the State of Tennessee in the amount of \$201,258.00.

STATUS REPORT

As of December 31, 2015

Company: PENN TREATY NETWORK AMERICA INSURANCE CO/AMERICAN
NETWORK INSURANCE COMPANY (PA)

Status: In Receivership

Insolv/Rehab Date: January 6, 2009

CLASS B ASSESSMENT

<u>Account</u>	<u>Amount</u>	<u>Authorized</u>	<u>Levied</u>
Life:			
Annuity:			
Health:			
Total:			

CLAIMS PAID

Life Claims:	Reinsurance:
Annuity Claims:	Reinsurance:
Health Claims:	Reinsurance:

ADMINISTRATIVE EXPENSES

Life A/E:	\$ 1,958.12
Annuity A/E:	\$ 186.50
Health A/E:	\$ 323,030.3

RECEIPTS

Life Premium:	Estate Dist:
Annuity Premium:	Estate Dist:
Health Premium:	Estate Dist:

PENN TREATY NETWORK AMERICA INSURANCE COMPANY/AMERICAN NETWORK INSURANCE COMPANY

COMMENTS

Penn Treaty and ANLIC are long term care insurers that were placed in rehabilitation by the Pennsylvania Insurance Commissioner on January 6, 2009. ANLIC does not have any policyholders in Tennessee, but there are approximately 1,600 Penn Treaty policyholders in Tennessee.

On October 2, 2009 petitions for liquidation were filed, and hearings on the liquidation petition were held in 2011, but the judge denied an order of liquidation.

On May 3, 2012, the Commonwealth Court of Pennsylvania issued an order denying the petition for liquidation of Penn Treaty. The Court's order continued the rehabilitation and required the Receiver to develop and submit a rehabilitation plan. The Receiver filed an amended plan on October 8, 2014. In addition, the Receiver appealed the initial order denying the liquidation petition. The NOLHGA Task Force for Penn Treaty continues to work with the Receiver and the Pennsylvania Department of Insurance to develop a long-term solution for Penn Treaty. The efforts to get court approval of a plan to deal with the liabilities of the companies continue. In the meantime, the companies continue to pay benefits in full. It is uncertain when the companies will be liquidated.

STATUS REPORT

As of December 31, 2015

Company: UNIVERSAL LIFE INSURANCE COMPANY (AL)
BOOKER T. WASHINGTON INSURANCE COMPANY (AL)

Status: In Liquidation

Insolv/Rehab Date: May 5, 2010

CLASS B ASSESSMENT

Account	Amount	Authorized	Levied
Life:			
Annuity:			
Health:			
Total:			

CLAIMS PAID

Life Claims:	\$ 483,593.46	Reinsurance:	\$
Annuity Claims:	\$	Reinsurance:	\$
Health Claims:	\$ 44,314.24	Reinsurance:	

ADMINISTRATIVE EXPENSES

Life A/E:	\$ 71,772.34
Annuity A/E:	\$
Health A/E:	\$ 32,816.66

RECEIPTS

Life Premium:	\$ 129,845.72	Estate Dist:	\$ 1,307,579.42
Annuity Premium:	\$	Estate Dist:	\$
Health Premium:	\$ 2,405.22	Estate Dist:	\$ 338,470.98

UNIVERSAL LIFE INSURANCE COMPANY (AL)
BOOKER T. WASHINGTON INSURANCE COMPANY (AL)

COMMENTS

Universal Life Insurance Company/Booker T. Washington Insurance Company are affiliated companies domiciled in Alabama. Booker T. Washington was placed in rehabilitation in February 2006 and Universal Life was placed in rehabilitation in April 2009. Both companies sold small life insurance policies, often in conjunction with pre-need funeral arrangements, along with industrial health and disability policies. Between the two companies, there are approximately 5,000 (out of a total of 136,000) in Tennessee with a reserve value of about \$1.4 million. The Association is a member of the NOLHGA Tax Force for Universal Life Insurance Company/Booker T. Washington.

Universal Life and Booker T. Washington were placed into liquidation by order of the Alabama Receivership Court on May 5, 2010.

In early 2013, the affected guaranty associations and the receiver solicited bids from third party administrators to assume the administration of the ULIC/BTW policies with a premium-paying status. There is a total of 1,250 policies in this category, about 350 of which are in Tennessee. The administration of this business was awarded to Independent Administrative Solutions in Largo, FL and IAS began administration of the block in May of 2013. A similar bid process was under taken in 2014 for the paid-up business.

Early access payments and return of statutory deposits will probably be sufficient to pay claims for 2 to 3 years a least. In August 2011 the Association received the statutory deposits which had been held by the State of Tennessee.

Tab 3

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NASHVILLE, TENNESSEE

MINUTES OF THE ANNUAL MEETING OF MEMBERS

May 5, 2015

The Annual Meeting of the Members of the Tennessee Life and Health Insurance Guaranty Association (the "Association") convened at 10:30 A.M. C.D.T. on May 5, 2015, at the offices of the Association, 150 Third Avenue South, Suite 1600, Nashville, Tennessee.

1. ATTENDANCE

Present: American General Life Insurance Company
- David Kumatz
Tennessee Farmers Life Insurance Company
- Edward K. Lancaster
Unum Group
- Elizabeth Simon
Protective Life Insurance Company
- Laura Leigh Latta
State Farm Life Insurance Company
- Sheila Melzer
CIGNA Healthcare
- Tim Vessell
BlueCross BlueShield of Tennessee
- Dakasha Winton
Plateau Insurance Company
- Mike Graham
Tennessee Department of Commerce and Insurance
- Mark Jacquish
- Lorrie Brouse
Association Administrator
- Dan Elrod
Assistant to the Administrator
- Renee Birdwell

2. NOTICE OF ANNUAL MEETING

Notice of meeting was properly given.

3. PRESIDING OFFICER AND ADMINISTRATOR

Mr. Kumatz presided at the meeting and Ms. Birdwell kept the minutes.

4. APPROVAL OF MINUTES

Mr. Kumatz directed the Members' attention to the minutes of the meeting held on October 15, 2014. It was noted that copies of the minutes had previously been distributed to the Members who had been present at that meeting. There being no changes or corrections to the minutes, upon motion duly made and seconded, the Members voted to approve the minutes of the meeting of Members on October 15, 2014.

5. ELECTION OF DIRECTORS

Mr. Kumatz stated that the appropriate notice setting forth nominees for election of directors had been sent to all companies. The nominees previously proposed by the Nominating Committee are as follows:

State Farm Life Insurance Company
CIGNA Healthcare
Plateau Insurance Company

It was noted that appropriate representatives of the nominees have agreed to serve, and that no other nominations had been received from the membership. Under the Plan of Operation, the Secretary/Treasurer is requested to cast one vote each for the nominees. In the absence of the Secretary/Treasurer, the Board, upon motion duly made and seconded, elected the nominees for a three year term.

6. ADJOURNMENT

There being no further business, the meeting adjourned at 10:35 A.M. C.D.T.

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NASHVILLE, TENNESSEE

MINUTES OF THE ANNUAL MEETING OF THE BOARD OF DIRECTORS

May 5, 2015

The Annual Meeting of the Board of Directors of the Tennessee Life and Health Insurance Guaranty Association (the "Association") convened at 10:35 A.M., C.D.T., on May 5, 2015, at the offices of the Association, 150 Third Avenue South, Suite 1600, Nashville, Tennessee.

1. ATTENDANCE

Present:

- American General Life Insurance Company
 - David Kumatz
- Tennessee Farmers Life Insurance Company
 - Edward K. Lancaster
- Unum Group
 - Elizabeth H. Simon
- Protective Life Insurance Company
 - Laura Leigh Latta
- State Farm Life Insurance Company
 - Sheila Melzer
- CIGNA Healthcare
 - Tim Vessell
- BlueCross BlueShield of Tennessee
 - Dakasha Winton
- Plateau Insurance Company
 - Mike Graham
- Tennessee Department of Commerce and Insurance
 - Mark Jacquish
 - Lorrie Brouse
- Association Administrator
 - Dan Elrod
- Assistant to the Administrator
 - Renee Birdwell

2. NOTICE OF MEETING

Notice of meeting was properly given.

3. PRESIDING OFFICER AND ADMINISTRATOR

Mr. Kumatz called the meeting to order and Ms. Birdwell kept notes for the purpose of drafting minutes. Mr. Kumatz and Mr. Elrod welcomed Ms. Brouse and Mr. Jacquish of the Tennessee Department of Commerce and Insurance to the meeting.

Mr. Jacquish reported there are currently no domestic insolvencies in process, and the Department is otherwise monitoring closely the financial status of the Tennessee cooperative insurer created pursuant to the Affordable Care Act. Mr. Jacquish and Ms. Brouse made the Board aware of several staffing changes within the Department

4. APPROVAL OF MINUTES

Mr. Kumatz directed the Board's attention to the minutes of the meetings held on October 15, 2014 and December 18, 2014. It was noted that copies of the minutes had previously been distributed to the Board. There being no changes or corrections to the minutes, upon motion made and seconded, the Board unanimously voted to approve the minutes of the meetings of the Board on October 15, 2014 and December 18, 2014.

5. REPORT BY ADMINISTRATOR

Mr. Kumatz asked Mr. Elrod for his report. Mr. Elrod then directed the Board's attention to the Annual Meeting binder containing information on the following matters:

Audit and Annual Report

- a. 2014 Annual Report – Mr. Elrod reviewed with the Board the 2014 Annual Report filed with the Department of Commerce and Insurance on May 1 of this year.
- b. 2014 Audit – Mr. Elrod stated that the annual audit of the records of the Association had been conducted by Faulkner Mackie & Cochran, P.C. Mr. Elrod reviewed the report with the Board and noted that the Association's audit was clean and without issue.

Report from the Audit Committee

The Audit Committee is comprised of Mr. Mike Graham of Plateau Insurance Company, Mr. Wayne Merrill of Tennessee Farmers Insurance Company and Mr. Barry Hopkins of American General Life Insurance Company. Mr. Elrod reported the following activities of the Audit Committee.

- The Audit Committee met on November 7, 2014 and adopted a motion to retain Faulkner Mackie & Cochran, P.C. ("FMC") for the 2014 audit of the Association and preparation of the Association's 2014 tax return, and FMC was retained.
- The Audit Committee met on April 16, 2015, with Ms. Janet Jones and Ms. Laura Sikes of FMC regarding its audit of the Association's 2014 records. FMC reported no questionable items or problems.
- The Audit Committee, in its capacity as Investment Committee, has adopted a new process for quarterly review of the Association's investments, pursuant to the Association's investment policy.

Mr. Elrod also reported the Audit Committee received an inquiry from an accounting firm as to whether the Association would consider proposals to conduct the Association's audit work. Based on the experience the Association has had with FMC, including its arms-length approach to the audit, the rotation of the partner at FMC in charge of the audit and the reliance on FMC work papers by the Department of Commerce and Insurance when it conducted its financial examination, the Audit Committee did not identify a need to initiate a process at this time to seek proposals from other accounting firms. Discussion by Board Members indicated concurrence with this conclusion, with the expectation the Audit Committee will continue to monitor the situation and the Committee will recommend a request for proposed prices if it determines there is a need to do so in the future.

Department of Commerce and Insurance Examination

Mr. Elrod called attention to the Report on Examination by the Tennessee Department of Commerce and Insurance as of December 31, 2013. The Association is examined by the Department every five (5) years, or more frequently as the Department may determine in its discretion. No problems or questionable items were identified in the most recent Examination.

Financial Reports

- a. Insolvency Claims and Expenses Net Recoveries – Mr. Elrod directed the Board's attention to the Insolvency Claims and Expenses Net Recoveries report, which shows a cumulative total of all insolvency expenses net of recoveries.
- b. Administrative Expenses Report – The Board reviewed the comparison of significant administration expenses over the past three years.
- c. Rates of Return Summary – Mr. Elrod reviewed the summary from Morgan Stanley showing the rate of return on invested assets as of December 31, 2014, compared with other commonly used indices.

Insolvency Status Reports

Mr. Elrod reported on insolvencies in which meaningful activity occurred in 2013 and 2014 to date.

- a. Executive Life of New York – Executive Life of New York has been under an Order of Supervision since 1991. According to the approved liquidation plan, the Guaranty Associations created a captive company, GABC, to manage assets and administer claims payments. The Association funded \$35,000.00 in 2014.
- b. Life and Health Insurance Company of America – This Pennsylvania company wrote mainly long term care insurance, and it has been insolvent since 2004. The Association continues to fund a small amount of policyholder claims on a monthly basis.

- c. Lincoln Memorial Life Insurance Company – Lincoln Memorial Life Insurance Company of Texas and two affiliated companies, National Prearranged Services and Memorial Services Life were placed into liquidation on August 11, 2008. The insolvency of these companies was the result of massive diversion of assets to the benefit of the owners and others. The Association is part of a group of guaranty associations that initiated litigation to recover assets from the former owners, as well as banks and advisors who failed to detect and stop the fraudulent activities. The litigation effort has been successful. The Association has received to date litigation proceeds of approximately \$1,175,000. In March of this year, the plaintiffs in the litigation obtained a \$391 million judgment against PNC Bank, one of the banks that served as a trustee of preneed funeral contracts funded by insurance issued by the companies. PNC has appealed, but it is at likely that additional litigation proceeds will ultimately be distributed to the plaintiff associations. The Association's exposure in this insolvency, which originally had been estimated to be about \$8.5 million, could be significantly reduced as the result of the litigation
- d. National States Insurance Company – This Missouri company has been insolvent since 2010. The Association continues to pay health claims to Tennessee policyholders. It is unlikely that the guaranty associations will be able to find a reinsurer for the remaining health policies.
- e. Penn Treaty Network America Insurance Company ("Penn Treaty") and American Network Insurance Company ("ANLIC") – These Pennsylvania companies are long term care insurers that have been in receivership since January 2009. The Receiver's petition for liquidation was denied by the supervisory court, notwithstanding a significant deficiency in the companies and the Receiver was ordered to develop a plan of rehabilitation. The Receiver appealed this decision and also developed an alternative plan as ordered by the court. The alternative plan was subsequently amended as the result of input from various stakeholders, including the guaranty associations, policyholders, agents, and health insurers who will ultimately be responsible for funding guaranty association coverage through the assessment process. The Receiver's plan will be the subject of court hearings in July of 2015. In the meantime, the Receiver continues to pay claims, which contributes to an increase in the deficiency in the companies. It will likely be several months at the earliest before there is a final decision on Receiver's plan, and it is uncertain when guaranty associations will be required to provide any funding. The Association's exposure in this insolvency appears to be about \$40 million (present value of future claims).
- f. Universal Life Insurance Company/Booker T Washington Insurance Company – These Alabama companies sold life insurance, burial policies and industrial health/disability insurance. They were placed in receivership in February 2006, and declared insolvent in May 2010. During the receivership, most of the premium-paying life policies were assumed by North Carolina Mutual. The affected guaranty associations, through a bid process, have engaged a third party administrator to administer the paid-up policies and remaining premium-paying

policies. There are approximately 5,000 policies with Tennessee addresses, most of which are paid up, with a reserve value of approximately \$1.4 million. It is unlikely that another company will assume the paid-up policies because the records for these policies are in such poor shape. Early access payments and recovery of statutory deposits will likely be sufficient pay claims for several years.

Class A Assessment

Mr. Elrod reported to the Board that a Class A Assessment for the years 2014 and 2015, as previously authorized by the Board, was levied on March 20, 2015.

Matters Relating to Administration

- a. Conflicts of Interest Policy Statement – Copies of the Association's Conflicts of Interest Policy Statement were distributed to all Board members and administrative staff. Mr. Elrod explained that it is customary to execute and submit the policy statement on an annual basis, and requested that Board members and administrative staff submit executed statements for the coming year.
- b. Privacy Statement – Mr. Elrod directed the Board's attention to the privacy statement prepared in response to the law passed by Congress in 1999 as part of the Gramm-Leach-Bliley Act ("GLB"), which governs the disclosure of consumer's nonpublic personal financial information by financial institutions.
- c. Investment Policy – Mr. Elrod directed the Board's attention to a copy of the Investment Policy in their meeting notebooks.

6. ELECTION OF OFFICERS

As the next order of business, Mr. Kumatz announced the floor was open for the election of officers, and asked for nominations. Upon motion made and seconded, the Board unanimously adopted a motion electing the following officers for 2015:

Chairman	American General Insurance Company – David Kumatz
Vice-Chairman	Tennessee Farmers Life Insurance Company – Edward K. Lancaster
Secretary/Treasurer	Plateau Insurance Company – Dick Williams (with Mike Graham as the alternate representative)

7. CONSIDERATION OF ADMINISTRATOR'S POSITION

The Board asked Mr. Elrod and Ms. Birdwell to excuse themselves from the meeting during consideration of the proposal from Mr. Elrod to continue as Administrator, as set

forth in his letter to Mr. Kumatz dated March 30, 2015. After discussion of the matter, the Board, upon motion made and seconded, voted unanimously to accept Mr. Elrod's proposal.

8. ADJOURNMENT

There being no further business before the Board, the meeting adjourned at 12:05 P.M. C.D.T.

cc: Board of Directors

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NASHVILLE, TENNESSEE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

APRIL 16, 2015

A called meeting of the Audit Committee of the Tennessee Life and Health Insurance Guaranty Association (the "Association") convened at 10:00 a.m. CDT on April 16, 2015 at the offices of the Association, 150 3rd Avenue South, Suite 1600, Nashville, Tennessee.

1. ATTENDANCE

Present:

- Barry Hopkins
- American General Life Insurance Company
- Wayne Merrill
- Tennessee Farmers Insurance Company
- Laura Sikes
- Faulkner Mackie & Cochran, P.C.
- Janet Jones
- Faulkner Mackie & Cochran, P.C.
- Dan H. Elrod
- Association Administrator
- Renee Birdwell
- Assistant to the Administrator
- Cari Wymer
- Assistant to the Administrator

Absent:

- Mike Graham
- Plateau Insurance Company

1. NOTICE OF MEETING

Notice of the meeting was properly given.

2. FAULKNER MACKIE & COCHRAN, P.C.

The Committee convened at 10:00 for the purpose of meeting with Janet Jones and Laura Sykes, who are with the Association's auditing firm, Faulkner Mackie and Cochran, PLLC ("FMC"). Ms. Jones and Ms. Sykes reviewed the Report to the Audit Committee with respect to FMC's audit of the Association for 2014. Ms. Jones and Ms. Sykes noted that no issues or problems were identified in the course of the audit.

After concluding the meeting with Ms. Jones and Ms. Sykes, the Committee discussed two other items as follows:

- Mr. Elrod advised the Committee that he had received inquiry from another accounting firm as to whether the Association would be willing to accept other proposals to conduct the Association's audit and prepare the Association's tax return. Messrs. Merrill and Hopkins asked Mr. Elrod and Ms. Birdwell about their experiences with FMC, including if FMC appeared to be completely arms-length in its dealings with the Association and if FMC otherwise performed its services in a professional manner. Mr. Elrod responded that FMC conducted itself professionally and the individuals assigned by FMC to the Association's audit are thorough and probing in their approach to the audit. In a subsequent email exchange among the Committee members on this subject, which included Mr. Graham, the Committee noted that, in order to consider other proposals, it is likely that a process would need to be created to solicit proposals from multiple firms. In light of this circumstance, and given the Association's experience with FMC, including the fact that the recent examination of the Association by the Tennessee Department of Commerce and Insurance relied on FMC work papers and the examination identified no issues or problems, it was the consensus of the Committee not to solicit other proposals for the Association's audit and tax work at this time.
- In its capacity as the Investment Committee, the Committee reviewed the quarterly investment report distributed by Mr. Elrod. This report includes a summary form that sets forth specific metrics tied to the Association's Investment Policy. It was the consensus of the Committee that the summary form document is helpful; that the appropriate method for periodic review is for Mr. Elrod to distribute a report quarterly by email including the summary form; that the covering email from Mr. Elrod should call the Committee's attention to any variance from the investment guidelines; and that any member of the Committee may convene a meeting of the Committee to discuss the potential need to take action to eliminate variances from the guidelines.

3. ADJOURNMENT

There being no further business before the Committee, the meeting adjourned at 11:10 a.m. CDT.

cc: Audit Committee
Board of Directors

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NASHVILLE, TENNESSEE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

November 11, 2015

A called meeting of the Audit Committee of the Tennessee Life and Health Insurance Guaranty Association (the "Association") convened via teleconference at 9:00 A.M. C.S.T. on November 11, 2015.

1. ATTENDANCE

Present: Mike Graham
 -Plateau Insurance Company
 David Kumatz
 -American General Life Insurance Company
 Dan H. Elrod
 -Association Administrator
 Wayne Merrill
 -Tennessee Farmers Life Insurance Company
 Renee Birdwell
 -Assistant to the Administrator

2. NOTICE OF MEETING

Notice of the meeting was properly given

3. AUDIT COMMITTEE VACANCY

Mr. Elrod called the meeting to order and informed the Committee that due to staffing changes at American General Life Insurance Company, Barrie Hopkins would no longer be able to serve on the Committee. Mr. Kumatz joined the meeting in his place. Mr. Kumatz and Mr. Elrod will discuss a potential replacement for Mr. Hopkins.

4. RETENTION OF FAULKNER MACKIE & COCHRAN P.C. ("FMC")

Mr. Elrod called the meeting to order. He informed the Audit Committee that the Board of Directors had delegated to the Committee the determination as to whether the accounting firm of FMC should be retained to conduct the annual audit of the records of the Association and to complete the Association's Federal tax return.

Mr. Elrod further informed the Committee that he had been contacted by representatives of CRI asking if CRI could present a bid to conduct the Association's audit. After

discussion, the Committee directed Mr. Elrod to communicate to CRI that the Committee has no objections to CRI submitting proposal. The Committee also suggested that the proposal cover a three-year period. Mr. Elrod informed the Committee that he would contact CRI and ask that any proposal be submitted in time for it to be considered at the next Committee meeting.

The Committee agreed to reconvene during the first week of December to consider the engagement of an accounting firm to use for the next Audit and the 2015 tax return.

5. ADJOURNMENT

There being no further business before the Committee, the meeting adjourned at 9:30 A.M. C.S.T.

cc: Audit Committee
Board of Directors

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NASHVILLE, TENNESSEE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

December 2, 2015

A called meeting of the Audit Committee of the Tennessee Life and Health Insurance Guaranty Association (the "Association") convened via teleconference at Noon C.S.T. on December 2, 2015.

1. ATTENDANCE

Present: Mike Graham
-Plateau Insurance Company
David Kumatz
-American General Life Insurance Company
Dan H. Elrod
-Association Administrator
Wayne Merrill
-Tennessee Farmers Life Insurance Company
Cari Wymer
-Assistant to the Administrator
Renee Birdwell
-Assistant to the Administrator

2. NOTICE OF MEETING

Notice of the meeting was properly given

3. MINUTES OF PRIOR MEETING

Mr. Elrod called the Committee's attention to the minutes of the meeting on November 11, 2015, a copy of which was emailed to Committee members on November 30, 2015. By unanimous expression of approval, the minutes were approved.

4. RETENTION OF FAULKNER MACKIE & COCHRAN

Mr. Elrod then reviewed with the Committee the proposal that had been received from Carr Riggs and Ingram ("CRI") to undertake the Association's audit and tax return work. A copy of this proposal had been emailed to the Committee on November 30, 2015. The Committee discussed the merits of the CRI proposal, including the qualifications and experience of CRI and the proposed fees, which are less than the fees that have been charged the last few years by Faulkner Mackie & Cochran ("FMC"). After extensive

discussions, the Committee reached a consensus the Association should continue its relationship with FMC for 2016. In reaching this conclusion, the Committee discussed the following points:

- FMC is familiar with the Association's operations and financial record keeping, and a change in accounting firms would result in increased work by the Administrator and his staff in order to familiarize the new firm with the Association. This additional work would lead to increased administrative costs, which could offset the potential savings from the lower fees proposed by CRI.
- While FMC is familiar with the Association, there has been no indication of laxness in the rigor of the review that FMC has performed.
- The Association has been well-served by the quality of the FMC work, and the Association has not experienced any client service or other issues with FMC.
- FMC is based solely in Nashville, and all of the professional staff at FMC involved in the audit and tax return work are located in Nashville.
- The Committee has historically viewed the FMC fees as reasonable.
- Given the history of the Association with FMC, there is not a compelling reason to make a change in accounting firms at this time even though the CRI proposal is attractively priced.

The Committee directed Mr. Elrod to communicate to CRI the Committee's decision and to express the Committee's appreciation for CRI's well-done proposal and for its interest in the Association's work

5. ADJOURNMENT

There being no further business before the Committee, the meeting adjourned at approximately 12:45 p.m.. C.S.T.

cc: Audit Committee
Board of Directors

Tab 4

Treasury Securities

Financing Corp Fed Strips	2/21/2013	\$	52,000.00	2/3/2016	\$	52,000.00
Financing Corp Fed Be Fico Strip	12/9/2011	\$	100,000.00	4/6/2016	\$	99,894.00
Financing Corp Fed Be Cpn Fic O/Str	11/5/2012	\$	25,000.00	5/30/2016	\$	24,947.75
Financing Corp Fed Cpn Strips/Ser D	12/28/2012	\$	22,000.00	8/3/2016	\$	21,908.04
Financing Corp Strip Ser 11 Pmt	5/10/2013	\$	46,000.00	8/8/2016	\$	45,791.16
Financing Fed Bk Entry Cpn Strip D Int	5/24/2013	\$	38,000.00	9/26/2016	\$	37,790.24
Financing Corp Cpn Strips Ser 16	5/9/2013	\$	100,000.00	5/9/2013	\$	99,346.00
Financing Corp Fed Cpn Strips Ser E	4/9/2013	\$	100,000.00	11/2/2016	\$	99,269.00
Financing Corp Cpn Strips Ser 1 Int	2/6/2013	\$	67,000.00	11/11/2016	\$	66,474.05
"	5/16/2013	\$	75,000.00	11/11/2016	\$	74,411.25
Financing Corp Strip Ser 2 Int Pmt	1/31/2013	\$	38,000.00	11/30/2016	\$	37,683.84
Financing Strip C Int	9/9/2013	\$	37,000.00	11/30/2016	\$	36,692.53
Financing Corp Fed Cpn Strips Ser D	2/19/2013	\$	28,000.00	2/3/2017	\$	27,685.84
"	6/9/2014	\$	8,000.00	2/3/2017	\$	7,910.24
Financing Corp Strip Ser 11 Int Pmt	3/1/2013	\$	13,000.00	4/6/2017	\$	12,851.15
Financing-Fed Cpn Fico Strips Generic	11/7/2012	\$	16,000.00	4/6/2017	\$	15,783.20
Financing Corp Fed Fico Strips	8/23/2013	\$	12,000.00	5/30/2017	\$	11,820.24

Financing Fed	9/5/2013	\$	100,000.00	5/30/2017	\$	98,001.00
"	9/6/2013	\$	60,000.00	5/30/2017	\$	58,800.60
"	9/10/2013	\$	40,000.00	5/30/2017	\$	39,200.40
"	11/13/2013	\$	20,000.00	5/30/2017	\$	19,600.20
"	12/10/2013	\$	20,000.00	5/30/2017	\$	19,600.20
"	12/12/2013	\$	35,000.00	5/30/2017	\$	34,300.35
"	1/31/2014	\$	100,000.00	5/30/2017	\$	98,001.00
Financing Fed	1/31/2014	\$	85,000.00	5/30/2017	\$	83,300.85
"	2/3/2014	\$	100,000.00	5/30/2017	\$	98,001.00
"	2/4/2014	\$	100,000.00	5/30/2017	\$	98,001.00
"	2/6/2014	\$	17,000.00	5/30/2017	\$	16,660.17
"	2/10/2014	\$	15,000.00	5/30/2017	\$	14,700.15
Financing Corp	8/12/2013	\$	25,000.00	11/30/2017	\$	29,048.00
Financing Corp Cpn Fico Strip Ser Int	3/18/2013	\$	20,000.00	12/27/2017	\$	19,428.00
Financing Corp Fed Cpn Fico Strips Se	8/29/2013	\$	15,000.00	12/27/2017	\$	14,571.30
"	10/15/2013	\$	20,000.00	12/27/2017	\$	19,428.40
"	8/7/2014	\$	15,000.00	12/27/2017	\$	14,571.30
Financing Corp Fed Cpn Fico Strips Se	7/18/2013	\$	53,000.00	2/3/2018	\$	51,414.24
"	8/6/2014	\$	100,000.00	2/3/2018	\$	97,008.00
Financing Corp Fed Book Entry Ptin	5/22/2013		10/28/1995	4/6/2018	\$	33,978.70
Financing Corp Fico Strips Ser E	3/25/2013	\$	65,000.00	5/2/2018	\$	62,946.00
"	3/26/2013	\$	35,000.00	5/2/2018	\$	33,894.00
Financing Corp Fed Bnk entry CP N Ge	5/22/2013	\$	36,000.00	6/6/2018	\$	34,707.24
Financing Corp Fed Cpn Prin	9/16/2014	\$	15,000.00	8/3/2018	\$	14,454.45
Financing Corp	2/24/2014	\$	15,000.00	8/3/2018	\$	18,407.40
Financing Corp	8/7/2014	\$	17,000.00	9/26/2018	\$	16,251.15
Financing Corp FICO Strips Ser E Int	4/26/2013	\$	45,000.00	11/2/2018	\$	42,884.55

US Treasury Bonds Fed Strip Interest	3/11/2013	\$	100,000.00	11/15/2018	\$	96,263.00
Financing Corp CPN Strips Ser 19 Int	4/1/2013	\$	100,000.00	12/6/2018	\$	95,088.00
Financing Corp Prin Strips Ser 13	8/8/2013	\$	350,000.00	12/27/2018	\$	333,536.00
"	2/19/2014	\$	19,000.00	12/27/2018	\$	18,106.24
Financing Corp Strip Ser 13 Int Pmt	4/5/2013	\$	100,000.00	12/27/2018	\$	95,450.00
"	4/8/2013	\$	50,000.00	12/27/2018	\$	47,725.00
"	4/29/2013	\$	100,000.00	12/27/2018	\$	95,450.00
"	4/30/2013	\$	100,000.00	12/27/2018	\$	95,450.00
"	5/1/2013	\$	100,000.00	12/27/2018	\$	95,450.00
"	5/6/2013	\$	101,000.00	12/27/2018	\$	96,404.50
Financing-Fed Bk Enty Cpn Strp	8/26/2014	\$	17,000.00	6/6/2019	\$	15,932.91
Financing Corp Fed Cpn Fico Strips	3/19/2014	\$	69,000.00	9/26/2019	\$	64,253.49
Financing-Fed Bk Entry Prin Fico Strip Se	8/13/2013	\$	30,000.00	9/26/2019	\$	27,814.50
"	10/18/2013	\$	110,000.00	9/26/2019	\$	101,986.50
TOTAL		\$	3,326,000.00		\$	3,232,328.32

Federal Agencies

Fed Home Ln Mtg Corp	2/25/2015	\$	10,000.00	2/1/2016	\$	10,000.10
Fed Natl Mtg Assn	11/25/2014	\$	26,000.00	2/12/2016	\$	26,005.46
Fed Natl Mtg Assn	11/4/2010	\$	45,000.00	2/12/2016	\$	45,006.75
"	5/23/2011	\$	51,000.00	2/12/2016	\$	51,007.65
Intl Bk for Recon & Dev	1/6/2015	\$	90,000.00	2/15/2016	\$	89,984.70
"	1/14/2015	\$	104,000.00	2/15/2016	\$	103,982.32
"	2/25/2015	\$	10,000.00	2/15/2016	\$	9,998.30
Fed Home Ln Bk	2/2/2015	\$	75,000.00	6/10/2016	\$	75,483.75

Fed Home Ln Mt Corp	12/12/2011	\$	33,000.00	7/15/2016	\$	32,914.86
"	2/27/2012	\$	55,000.00	7/15/2016	\$	54,858.10
Fed Ntl Mtg Assn	5/27/2014	\$	56,000.00	7/15/2016	\$	55,754.72
Resolution Fdg Corp Int Pmt	6/12/2014	\$	19,000.00	7/15/2016	\$	18,917.54
"	12/26/2014	\$	23,000.00	7/15/2016	\$	22,900.18
"	4/10/2015	\$	16,000.00	4/10/2015	\$	15,930.56
Federal Natl Mtg Assn	11/19/2014	\$	23,000.00	8/1/2016	\$	22,875.34
"	3/12/2015	\$	200,000.00	8/1/2016	\$	198,916.00
Fed Natl Mtg Assn	8/10/2011	\$	80,000.00	8/7/2016	\$	79,514.40
Fed Natl Mtg Assn	8/10/2011	\$	71,000.00	8/12/2016	\$	70,705.35
"	11/21/2014	\$	18,000.00	8/12/2016	\$	17,925.30
Fed Home Ln Mtg Corp	10/21/2014	\$	14,000.00	8/12/2016	\$	13,882.96
"	11/13/2014	\$	16,000.00	8/12/2016	\$	15,866.24
"	11/13/2014	\$	20,000.00	8/12/2016	\$	19,832.80
"	1/2/2015	\$	33,000.00	12/5/1988	\$	32,724.12
Fed Natl Mtg Assn	1/12/2015	\$	23,000.00	9/23/2016	\$	22,885.92
"	2/11/2015	\$	219,000.00	9/23/2016	\$	217,913.76
Fed Natl Mtg Assn	10/15/2012	\$	500,000.00	9/28/2016	\$	501,810.00
"	10/15/2012	\$	500,000.00	9/28/2016	\$	501,810.00
Fed Home Ln Mtg Corp	11/13/2014	\$	29,000.00	10/1/2016	\$	28,841.95
Resolution Fdg Corp Int Pmt	12/26/2014	\$	15,000.00	10/15/2016	\$	14,904.90
"	4/15/2015	\$	14,000.00	10/15/2016	\$	13,911.24
Fed Natl Mtg Assn	6/15/2012	\$	58,000.00	11/15/2016	\$	57,606.76
"	3/5/2015	\$	7,000.00	11/15/2016	\$	6,952.54
Fed Natl Mtg Assn	8/16/2011	\$	38,000.00	11/29/2016	\$	37,693.72
"	4/24/2012	\$	30,000.00	11/29/2016	\$	29,758.20

Fed Home Ln Mtg Corp	11/25/2014	\$	75,000.00	12/30/2016	\$	74,906.25
Fed Home Ln Mtg Corp	12/19/2011	\$	67,000.00	1/15/2017	\$	66,338.71
Fed Natl Mtg Assn	9/13/2011	\$	30,000.00	1/15/2017	\$	29,731.80
"	10/7/2014	\$	36,000.00	11/15/2017	\$	35,678.16
"	8/25/2015	\$	58,000.00	11/15/2017	\$	57,481.48
Resolution Fdg Corp Int Pmt	1/2/2015	\$	97,000.00	1/15/2017	\$	95,931.06
Fed Natl Mtg Assn	2/2/2015	\$	30,000.00	2/1/2017	\$	29,458.50
Fed Natl Mtg Assn	8/8/2014	\$	50,000.00	2/7/2017	\$	49,453.00
Fed Home Ln Mtg Corp	11/22/2013	\$	100,000.00	3/15/2017	\$	98,667.00
Fed Home Ln Mtg Corp	10/22/2014	\$	20,000.00	3/15/2017	\$	19,732.60
Fed Natl Mtg Assn Med Term Note	4/24/2012	\$	65,000.00	4/8/2017	\$	64,221.30
Resolution Fed Corp Int Pmt	10/24/2014	\$	25,000.00	4/15/2017	\$	24,663.00
Fed Home Mtg Corp	9/5/2012	\$	400,000.00	5/12/2017	\$	400,620.00
"	9/11/2012	\$	100,000.00	5/11/2012	\$	100,155.00
Fed Natl Mtg Assn	10/16/2014	\$	34,000.00	6/1/2017	\$	33,443.76
"	11/13/2014	\$	160,000.00	6/1/2017	\$	157,382.40
"	11/17/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/18/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/19/214	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/20/214	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/21/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/24/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/25/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/26/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	11/28/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	12/1/2014	\$	100,000.00	6/1/2017	\$	98,364.00
"	1/15/2015	\$	15,000.00	6/1/2017	\$	14,754.60

Fed Natl Mtg Assn	2/2/2015	\$	57,000.00	6/1/2017	\$	56,067.48
"	4/10/2015	\$	33,000.00	6/1/2017	\$	32,460.12
Fed Natl Mtg Assn	10/20/2014	\$	10,000.00	6/19/2017	\$	9,970.20
Resolution Fdg Corp	3/23/2015	\$	100,000.00	7/15/2017	\$	98,296.00
"	3/24/2015	\$	100,000.00	7/15/2017	\$	98,296.00
"	3/24/2015	\$	100,000.00	7/15/2017	\$	98,296.00
"	3/25/2015	\$	50,000.00	7/15/2017	\$	49,148.00
"	3/27/2015	\$	40,000.00	7/15/2017	\$	39,318.40
"	3/30/2015	\$	100,000.00	7/15/2017	\$	98,296.00
"	4/6/2015	\$	19,000.00	7/15/2017	\$	18,676.24
"	8/17/2015	\$	105,000.00	7/15/2017	\$	103,210.80
Fed Natl Mtg Assn	5/21/2014	\$	101,000.00	8/1/2017	\$	99,248.66
"	9/8/2015	\$	24,000.00	8/1/2017	\$	23,583.84
Fed Natl Mtg Assn	2/27/2012	\$	60,000.00	8/12/2017	\$	58,922.40
"	10/9/2014	\$	70,000.00	8/12/2017	\$	68,742.80
Fed Natl Mtg Assn	8/31/2012	\$	200,000.00	8/28/2017	\$	199,318.00
"	9/19/2012	\$	300,000.00	8/28/2017	\$	298,977.00
Fed Home Ln Mtg Corp	7/5/2012	\$	146,000.00	9/15/2017	\$	142,894.58
"	4/10/2015	\$	35,000.00	09/15/217	\$	34,255.55
Fed Home Ln Mtg Corp	4/10/2013	\$	22,000.00	9/15/2017	\$	21,532.06
"	4/26/2013	\$	45,000.00	9/15/2017	\$	44,042.85
Fed Natl Mtg Assn Med Term Notes	7/12/2013	\$	50,000.00	9/23/2017	\$	48,983.50
Fed Natl Mtg Assn Med Term Notes	5/3/2012	\$	53,000.00	10/8/2017	\$	51,876.40
"	7/12/2012	\$	67,000.00	10/8/2017	\$	65,579.60

Resolution Fdg Corp Int Pmt	2/26/2014	\$	35,000.00	10/15/2017	\$	34,266.05
"	3/23/2015	\$	81,000.00	10/15/2017	\$	79,301.43
"	7/30/2015	\$	10,000.00	10/15/2017	\$	9,790.30
"	9/23/2015	\$	100,000.00	10/15/2017	\$	97,903.00
"	10/6/2015	\$	100,000.00	10/15/2017	\$	97,903.00
"	10/8/2015	\$	100,000.00	10/15/2017	\$	97,903.00
"	10/13/2015	\$	100,000.00	10/15/2017	\$	97,903.00
"	10/15/2015	\$	100,000.00	10/15/2017	\$	97,903.00
"	10/19/2015	\$	100,000.00	10/15/2017	\$	97,903.00
"	10/22/2015	\$	50,000.00	10/15/2017	\$	48,951.50
Fed Home Ln Bk	10/16/2015	\$	400,000.00	10/25/2017	\$	396,420.00
Fed Natl Mtg Assn	1/20/2015	\$	25,000.00	10/27/2017	\$	25,429.00
"	1/22/2015	\$	200,000.00	10/27/2017	\$	203,672.00
Fed Natl Mtg Assn	12/6/2013	\$	250,000.00	11/7/2017	\$	248,787.50
Fed Natl Mtg Assn	9/4/2014	\$	20,000.00	11/15/2017	\$	19,526.20
"	9/22/2014	\$	8,000.00	11/15/2017	\$	7,810.48
"	2/18/2015	\$	16,000.00	11/15/2017	\$	15,620.96
Fed Natl Mtg Assn	2/26/2014	\$	25,000.00	11/15/2017	\$	24,897.50
Fed Home Ln Bk	9/14/2012	\$	90,000.00	12/8/2017	\$	93,171.60
Fed Natl Mtg Assn	9/3/2014	\$	20,000.00	12/27/2017	\$	19,856.40
"	11/6/2014	\$	250,000.00	12/27/2017	\$	248,205.00
"	11/6/2014	\$	175,000.00	12/27/2017	\$	173,743.50
Fed Natl Mtg Assn	11/5/2014	\$	81,000.00	12/28/2017	\$	80,654.94
"	1/26/2015	\$	100,000.00	12/28/2017	\$	99,574.00
"	1/27/2015	\$	150,000.00	12/28/2017	\$	149,361.00
"	5/16/2015	\$	35,000.00	12/28/2017	\$	34,850.90
"	9/24/2015	\$	45,000.00	12/28/2017	\$	44,808.30

Fed Home Ln Bank Step 11	1/8/2013	\$	300,000.00	1/12/2018	\$	297,585.00
"	1/24/2013	\$	100,000.00	1/12/2018	\$	99,195.00
"	2/5/2013	\$	200,000.00	1/12/2018	\$	198,390.00
"	2/19/2013	\$	100,000.00	1/12/2018	\$	99,195.00
Fed Home Ln Bank Step 11	3/13/2013	\$	200,000.00	1/12/2018	\$	198,390.00
"	12/5/2013	\$	400,000.00	1/12/2018	\$	396,780.00
"	12/23/2013	\$	400,000.00	1/12/2018	\$	396,780.00
"	1/14/2014	\$	250,000.00	1/12/2018	\$	247,987.50
"	1/15/2014	\$	250,000.00	1/12/2018	\$	247,987.50
"	1/15/2014	\$	250,000.00	1/12/2018	\$	247,987.50
"	1/16/2014	\$	100,000.00	1/12/2018	\$	99,195.00
"	2/10/2015	\$	100,000.00	1/12/2018	\$	99,195.00
"	2/23/2015	\$	100,000.00	1/12/2018	\$	99,195.00
"	5/12/2015	\$	100,000.00	1/12/2018	\$	99,195.00
"	5/21/2015	\$	40,000.00	1/12/2018	\$	39,678.00
"	11/9/2015	\$	25,000.00	1/12/2018	\$	24,798.75
Resolution Fdg Corp	10/27/2015	\$	24,000.00	1/15/2018	\$	23,394.96
Fed Natl Mtg Assn	6/11/2013	\$	50,000.00	2/1/2018	\$	48,577.00
"	10/18/2014	\$	67,000.00	2/1/2018	\$	65,093.18
Fed Natl Mtg Assn	12/9/2013	\$	350,000.00	2/8/2018	\$	347,704.00
"	12/11/2013	\$	400,000.00	2/8/2018	\$	397,376.00
"	12/16/2013	\$	200,000.00	2/8/2018	\$	198,688.00
"	12/23/2013	\$	300,000.00	2/8/2018	\$	298,032.00
Fed Natl Mt Assn	12/23/2013	\$	400,000.00	2/8/2018	\$	397,376.00
"	1/31/2014	\$	200,000.00	2/8/2018	\$	198,688.00
"	2/24/2014	\$	500,000.00	2/8/2018	\$	496,720.00
Fed Natl Mtg Assn	2/24/2014	\$	23,000.00	2/12/2018	\$	22,330.01
"	6/17/2014	\$	45,000.00	2/12/2018	\$	43,689.15
"	2/17/2015	\$	27,000.00	2/12/2018	\$	26,213.49
"	8/20/2015	\$	16,000.00	2/12/2018	\$	15,533.92
Fed Natl Mtg Assn	12/19/2012	\$	115,000.00	2/12/2018	\$	111,640.85
"	4/8/2015	\$	40,000.00	2/12/2018	\$	38,831.60

Fed Home Ln Bk	8/9/2013	\$	300,000.00	2/20/2018	\$	300,006.00
Fed Home Ln Mtg Corp	8/4/2014	\$	75,000.00	3/15/2018	\$	72,621.75
"	2/25/2015	\$	10,000.00	3/15/2018	\$	9,682.90
"	5/12/2015	\$	12,000.00	3/15/2018	\$	11,619.48
Fed Home Ln BK	10/23/2014	\$	10,000.00	3/19/2018	\$	10,005.00
Fed Natl Mtg Assn Med Term Note	1/13/2015	\$	62,000.00	3/23/2018	\$	60,019.72
"	9/11/2015	\$	20,000.00	3/23/2018	\$	19,361.20
Resolution Fdg Corp	4/14/2015	\$	10,000.00	4/15/2018	\$	9,696.50
Intl Bk for Recon & Dev Med Term	7/14/2014	\$	20,000.00	5/1/2018	\$	19,058.80
Fed Natl Mtg Assn	12/19/2012	\$	50,000.00	5/15/2018	\$	48,265.00
Fed Natl Mtg Assn	1/14/2014	\$	100,000.00	5/21/2018	\$	99,063.00
Fed Natl Mtg Assn	12/13/2013	\$	200,000.00	5/21/2018	\$	198,188.00
"	12/13/2013	\$	40,000.00	5/21/2018	\$	39,637.60
Fed Natl Mtg Assn Med Term Note	12/19/2012	\$	75,000.00	5/29/2018	\$	72,174.00
"	12/20/2012	\$	66,000.00	5/29/2018	\$	63,513.12
Fed Home Ln Bk	8/25/2014	\$	10,000.00	6/6/2018	\$	10,000.10
Fed Home Ln Mtg Corp	10/27/2015	\$	100,000.00	7/15/2018	\$	96,036.00
Resolution Fdg Corp Int Pmt	11/14/2014	\$	13,000.00	7/15/2018	\$	12,544.22
"	4/14/2015	\$	11,000.00	7/15/2018	\$	10,614.34
Fed Natl Mtg Assn	10/23/2014	\$	14,000.00	8/1/2018	\$	13,408.78
"	5/15/2015	\$	100,000.00	8/1/2018	\$	95,777.00
"	5/28/2015	\$	10,000.00	8/1/2018	\$	9,577.70
"	7/30/2015	\$	12,000.00	8/1/2018	\$	11,493.24
Fed Home Ln Mtg Corp	2/3/2015	\$	50,000.00	9/15/2018	\$	47,791.00

Fed Home Ln Mtg Corp	6/7/2013	\$	70,000.00	9/15/2018	\$	66,899.70
"	5/21/2014	\$	84,000.00	9/15/2018	\$	80,279.64
"	10/28/2015	\$	18,000.00	9/15/2018	\$	17,202.78
Fed Home Ln Bk	2/26/2014	\$	45,000.00	9/20/2018	\$	44,987.85
Fed Natl Mtg Assn	10/28/2015	\$	11,000.00	9/23/2018	\$	10,488.83
Fed Natl Mtg Assn	10/4/2012	\$	500,000.00	10/30/2018	\$	495,065.00
Fed Natl Mtg Assn	8/12/2013	\$	30,000.00	9/27/2018	\$	30,036.00
Fed Natl Mtg Assn	5/6/2015	\$	200,000.00	10/3/2018	\$	197,892.00
Resolution Fdg Corp	4/13/2015	\$	13,000.00	10/15/2018	\$	12,467.13
"	8/17/2015	\$	70,000.00	10/15/2018	\$	67,130.70
Fed Natl Mtg Assn	2/26/2014	\$	45,000.00	10/30/2018	\$	44,501.40
Fed Natl Mtg Assn	2/15/2013	\$	90,000.00	11/15/2018	\$	85,406.40
Fed Natl Mtg Assn	2/19/2014	\$	220,000.00	11/26/2018	\$	217,654.80
"	8/6/2015	\$	205,000.00	11/26/2018	\$	202,814.70
"	8/6/2015	\$	45,000.00	11/26/2018	\$	44,520.30
Fed Natl Mtg Assn	2/4/2015	\$	200,000.00	11/27/2018	\$	201,456.00
Fed Natl Mtg Ann	2/15/2013	\$	68,000.00	11/29/2018	\$	64,434.08
Fed Home Ln Bk	8/17/2015	\$	25,000.00	11/30/2018	\$	24,802.25
Fed Home Ln Bk	8/14/2013	\$	100,000.00	12/12/2018	\$	98,799.00
"	10/11/2013	\$	250,000.00	12/12/2018	\$	246,997.50
"	10/21/2013	\$	100,000.00	12/12/2018	\$	98,799.00
"	10/24/2013	\$	50,000.00	12/12/2018	\$	49,399.50
"	10/28/2013	\$	20,000.00	12/12/2018	\$	19,759.80
"	11/5/2013	\$	45,000.00	12/12/2018	\$	44,459.55
"	11/12/2013	\$	65,000.00	12/12/2018	\$	64,219.35
"	11/18/2013	\$	22,000.00	12/12/2018	\$	21,735.78

Fed Home Ln Bk	6/1/2015	\$	100,000.00	12/14/2018	\$	100,950.00
Fed Home Ln Bk Step	6/13/2014	\$	100,000.00	12/27/2018	\$	100,091.00
Fed Natl Mtg Assn	8/8/2013	\$	90,000.00	12/27/2018	\$	88,241.40
Fed Natl Mtg Assn	4/9/2015	\$	100,000.00	12/28/2018	\$	97,977.00
"	4/10/2015	\$	75,000.00	12/28/2018	\$	73,482.75
Fed Natl Mtg Assn	2/26/2014	\$	25,000.00	12/28/2018	\$	25,028.00
"	6/16/2014	\$	125,000.00	12/28/2018	\$	125,140.00
Fed Natl Mtg Assn	5/15/2013	\$	105,000.00	1/15/2019	\$	99,070.65
Resolution Fdg Corp	4/8/2015	\$	21,000.00	1/15/2019	\$	20,113.59
"	10/9/2015	\$	74,000.00	1/15/2019	\$	70,876.46
Fed Natl Mtg Assn	10/21/2014	\$	100,000.00	1/30/2019	\$	99,325.00
Fed Natl Mtg Assn	2/18/2015	\$	9,000.00	2/1/2019	\$	8,472.06
"	9/15/2015	\$	10,000.00	2/1/2019	\$	9,413.40
"	10/2/2015	\$	30,000.00	2/1/2019	\$	28,240.20
"	10/14/2015	\$	100,000.00	2/1/2019	\$	94,134.00
"	10/22/2015	\$	100,000.00	2/1/2019	\$	94,134.00
"	10/23/2015	\$	200,000.00	2/1/2019	\$	188,268.00
Fed Home Loan Mtg Corp	3/12/2014	\$	94,000.00	3/19/2019	\$	88,592.18
Fed Natl Mtg Assn	6/11/2015	\$	27,000.00	3/28/2019	\$	26,837.46
Fed Natl Mtg Assn	4/10/2015	\$	17,000.00	5/15/2019	\$	16,105.80
Fed Natl Mtg Assn Med Term Note	5/24/2013	\$	28,000.00	5/24/2013	\$	26,184.20
Fed Home Ln Mtg Corp	3/14/2014	\$	175,000.00	6/11/2018	\$	173,778.50
Fed Natl Mtg Assn	6/17/2014	\$	92,000.00	7/15/2019	\$	85,736.64
"	2/3/2015	\$	50,000.00	7/15/2019	\$	46,596.00

Fed Natl Mtg Assn Step	10/1/2013	\$	25,000.00	7/30/2019	\$	24,846.00
"	10/6/2014	\$	200,000.00	7/30/2019	\$	198,768.00
"	1/12/2015	\$	10,000.00	7/30/2019	\$	9,938.40
Fed Home Loan Mtg Corp	8/28/2014	\$	90,000.00	8/1/2019	\$	88,999.20
"	10/17/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	11/24/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	11/24/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	11/25/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	11/26/2014	\$	200,000.00	8/1/2019	\$	197,776.00
"	11/28/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	12/3/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	12/4/2014	\$	80,000.00	8/1/2019	\$	79,110.40
"	12/4/2014	\$	100,000.00	8/1/2019	\$	98,888.00
"	12/17/2017	\$	80,000.00	8/1/2019	\$	79,110.40
"	12/19/2014	\$	60,000.00	8/1/2019	\$	59,332.80
"	1/7/2015	\$	70,000.00	8/1/2019	\$	69,221.60
"	1/16/2015	\$	100,000.00	8/1/2019	\$	98,888.00
"	5/13/2015	\$	100,000.00	8/1/2019	\$	98,888.00
"	8/5/2015	\$	110,000.00	8/1/2019	\$	108,776.80
"	8/19/2015	\$	150,000.00	8/1/2019	\$	148,332.00
Fed Home Ln Bk	3/13/2015	\$	30,000.00	8/15/2019	\$	28,126.12
Fed Home Ln - Mtg Corp Med Term Nc	7/23/2014	\$	50,000.00	8/27/2019	\$	48,716.50
"	3/3/2015	\$	100,000.00	8/27/2019	\$	97,433.00
"	3/4/2015	\$	100,000.00	8/27/2019	\$	97,433.00
Fed Home Ln Bk	10/8/2015	\$	100,000.00	9/13/2019	\$	98,816.00
Fed Natl Mtg Assn	8/17/2015	\$	31,000.00	9/23/2019	\$	28,727.70
Fed Home Ln Mtg Corp	5/23/2014	\$	440,000.00	10/2/2019	\$	434,002.80
"	5/27/2014	\$	150,000.00	10/2/2019	\$	147,955.50
"	5/28/2014	\$	200,000.00	10/2/2019	\$	197,274.00
"	5/29/2014	\$	100,000.00	10/2/2019	\$	98,637.00
"	6/2/2014	\$	110,000.00	10/2/2019	\$	108,500.70

Fed Home Ln Mtg Corp	8/14/2014	\$	50,000.00	10/2/2019	\$	49,318.50
"	10/22/2014	\$	100,000.00	10/2/2019	\$	98,637.00
"	10/28/2014	\$	75,000.00	10/2/2019	\$	73,977.75
"	11/14/2014	\$	250,000.00	10/2/2019	\$	246,592.50
"	11/17/2014	\$	100,000.00	10/2/2019	\$	98,637.00
"	11/18/214	\$	100,000.00	10/2/2019	\$	98,637.00
"	11/19/2014	\$	100,000.00	10/02/219	\$	98,637.00
"	11/20/214	\$	100,000.00	10/2/2019	\$	98,637.00
"	11/21/2014	\$	100,000.00	10/2/2019	\$	98,637.00
"	5/11/2015	\$	100,000.00	10/2/2019	\$	98,637.00
"	5/18/2015	\$	40,000.00	10/2/2019	\$	39,454.80
"	7/1/2015	\$	100,000.00	10/2/2019	\$	98,637.00
"	11/9/2015	\$	100,000.00	10/2/2019	\$	98,637.00
"	12/7/2015	\$	50,000.00	10/2/2019	\$	49,318.50
Fed Natl Mtg Assn	6/5/2013	\$	85,000.00	10/9/2019	\$	78,711.70
"	8/12/2013	\$	48,000.00	10/9/2019	\$	44,448.96
"	11/18/2013	\$	20,000.00	10/9/2019	\$	18,520.40
"	10/15/2014	\$	400,000.00	10/9/2019	\$	370,408.00
"	11/5/2014	\$	85,000.00	10/9/2019	\$	78,711.70
"	1/2/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	1/5/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	1/9/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	1/12/2015	\$	100,000.00	10/9/2019	\$	92,602.00
Fed Natl Mtg Assn	2/6/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	2/9/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	4/27/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	5/13/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	5/26/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	6/25/2015	\$	63,000.00	10/9/2019	\$	58,339.26
"	8/28/2015	\$	35,000.00	10/9/2019	\$	32,410.70
"	9/14/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	9/24/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	10/5/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	10/7/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	10/19/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	10/20/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	10/28/2015	\$	100,000.00	10/9/2019	\$	92,602.00
"	12/14/2015	\$	10,000.00	10/9/2019	\$	9,260.20

Fed Home Ln Bk	6/25/2015	\$	190,000.00	10/11/2019	\$	81,473.65
Resolution Fdg Corp Int Pmt	2/24/2014	\$	19,000.00	10/15/2019	\$	17,690.14
"	3/23/2015	\$	22,000.00	10/15/2019	\$	20,483.32
Fed Natl Mtg Assn	9/14/2015	\$	200,000.00	10/24/2019	\$	196,986.00
"	9/18/2015	\$	200,000.00	10/24/2019	\$	196,986.00
Fed Home Ln Bk Step	10/1/2015	\$	200,000.00	10/28/2019	\$	198,294.00
"	10/6/2015	\$	150,000.00	10/28/2019	\$	148,720.50
Fed Home Ln Mtg Corp Med Term	10/13/2015	\$	500,000.00	10/29/2019	\$	497,250.00
"	10/16/2015	\$	500,000.00	10/29/2019	\$	497,250.00
"	10/21/2015	\$	370,000.00	10/29/2019	\$	367,965.00
Fed Natl Mtg Assn	2/4/2015	\$	300,000.00	10/29/2019	\$	296,946.00
"	2/4/2015	\$	300,000.00	10/29/2019	\$	296,946.00
"	2/5/2015	\$	240,000.00	10/29/2019	\$	237,556.80
Fed Natl Mtg Assn	5/9/2014	\$	25,000.00	10/29/2019	\$	24,648.50
"	8/19/2015	\$	100,000.00	10/29/2019	\$	98,594.00
Fed Home Ln Bk	3/3/2015	\$	125,000.00	11/15/2019	\$	123,531.25
Fed Natl Mtg Assn	6/6/2013	\$	100,000.00	11/15/2019	\$	92,312.00
"	7/11/2014	\$	30,000.00	11/15/2019	\$	27,693.60
"	9/3/2014	\$	25,000.00	11/15/2019	\$	23,078.00
Fed Home Ln Bk	7/18/2014	\$	40,000.00	11/21/2019	\$	39,545.60
Fed Home Ln Bk	6/4/2013	\$	50,000.00	11/22/2019	\$	49,089.50
Fed Home Ln Bk	10/26/2015	\$	500,000.00	11/25/2019	\$	495,665.00
"	10/28/2015	\$	400,000.00	11/25/2019	\$	396,532.00
"	10/30/2015	\$	300,000.00	11/25/2019	\$	297,399.00

Fed Home Ln Mtg Corp	5/16/2013	\$	100,000.00	11/29/2019	\$	92,090.00
"	5/17/2013	\$	200,000.00	11/29/2019	\$	184,180.00
"	5/20/2013	\$	64,000.00	11/29/2019	\$	58,937.60
"	1/14/2014	\$	135,000.00	11/29/2019	\$	124,321.50
"	3/5/2015	\$	27,000.00	11/29/2019	\$	24,864.30
"	4/28/2015	\$	100,000.00	11/29/2019	\$	92,090.00
"	5/8/2015	\$	125,000.00	11/29/2019	\$	115,112.50
"	7/31/2015	\$	20,000.00	11/29/2019	\$	18,418.00
"	8/3/2015	\$	100,000.00	11/29/2019	\$	92,090.00
Fed Home Ln Bk	8/7/2015	\$	200,000.00	12/13/2019	\$	196,480.00
"	8/7/2015	\$	50,000.00	12/13/2019	\$	49,120.00
"	8/13/2015	\$	70,000.00	12/13/2019	\$	68,768.00
Resolution Fdg Corp	4/17/2015	\$	15,000.00	1/15/2020	\$	13,871.55
Fed Natl Mtg Assn	1/21/2015	\$	200,000.00	1/21/2020	\$	199,246.00
"	2/19/2015	\$	100,000.00	1/21/2020	\$	99,623.00
Fed Natl Mtg Assn	5/6/2015	\$	125,000.00	1/30/2020	\$	124,083.75
Fed Natl Mtg Assn Step	2/18/2014	\$	18,000.00	1/30/2020	\$	17,917.20
Fed Home Ln Mtg Corp	1/8/2015	\$	36,000.00	2/1/2020	\$	32,964.84
"	4/10/2015	\$	27,000.00	2/1/2020	\$	24,723.63
Fed Natl Mtg Assn	8/18/2015	\$	100,000.00	4/15/2020	\$	98,499.00
Fed Home Lng Bk	4/13/2015	\$	100,000.00	4/30/2015	\$	100,031.00
"	5/7/2015	\$	150,000.00	4/30/2020	\$	150,046.50

Fed Home Lng Mtg	4/29/2015	\$	100,000.00	5/1/2020	\$	98,457.00
"	5/7/2015	\$	100,000.00	5/1/2020	\$	98,457.00
"	5/22/2015	\$	150,000.00	5/1/2020	\$	147,685.50
"	5/26/2015	\$	100,000.00	5/1/2020	\$	98,457.00
"	8/3/2015	\$	50,000.00	5/1/2020	\$	49,228.50
"	8/4/2015	\$	30,000.00	5/1/2020	\$	29,537.10
"	8/14/2015	\$	20,000.00	5/1/2020	\$	19,691.40
"	8/14/2015	\$	40,000.00	5/1/2020	\$	39,382.80
"	8/25/2015	\$	300,000.00	5/1/2020	\$	295,371.00
"	9/23/2015	\$	100,000.00	5/1/2020	\$	98,457.00
Fed Natl Mtg Assn	6/5/2015	\$	65,000.00	5/20/2020	\$	65,096.85
Fed Natl Mtg Assn	6/5/2015	\$	72,000.00	5/27/2020	\$	72,128.88
Fed Natl Mtg Assn	5/21/2015	\$	100,000.00	6/27/2020	\$	98,755.00
"	5/21/2015	\$	250,000.00	6/27/2020	\$	246,887.50
"	8/17/2015	\$	200,000.00	6/27/2020	\$	197,510.00
"	8/18/2015	\$	200,000.00	6/27/2020	\$	197,510.00
"	8/19/2015	\$	300,000.00	6/27/2020	\$	296,265.00
"	9/15/2015	\$	100,000.00	6/27/2020	\$	98,755.00
"	9/15/2015	\$	100,000.00	6/27/2020	\$	98,755.00
"	9/21/2015	\$	100,000.00	6/27/2020	\$	98,755.00
Fed Home Ln Mtg	6/5/2015	\$	100,000.00	7/30/2020	\$	98,759.00
"	6/8/2015	\$	100,000.00	7/30/2020	\$	98,759.00
Fed Home Ln BK	8/26/2015	\$	100,000.00	9/11/2020	\$	98,897.00
"	8/26/2015	\$	200,000.00	9/11/2020	\$	197,794.00
"	8/26/2016	\$	100,000.00	9/11/2020	\$	98,897.00
Fed Natl Mtg Assn Med Term	1/14/2015	\$	10,000.00	9/23/2020	\$	9,094.80
Resolution Fdg Corp	12/7/2015	\$	46,000.00	10/15/2020	\$	41,566.06
Fed Home Ln Bk Step	9/22/2015	\$	200,000.00	10/20/2020	\$	198,390.00
"	9/23/2015	\$	100,000.00	10/20/2020	\$	99,195.00
"	9/28/2015	\$	100,000.00	10/20/2020	\$	99,195.00

Fed Home Ln Bk Step	10/5/2015	\$	100,000.00	10/28/2020	\$	99,993.00
"	10/19/2015	\$	200,000.00	10/28/2020	\$	199,986.00
Fed Home Ln Bk Step	10/21/2015	\$	200,000.00	10/29/2020	\$	199,666.00
"	10/22/2015	\$	400,000.00	10/29/2020	\$	399,332.00
"	10/26/2015	\$	400,000.00	10/29/2020	\$	399,332.00
Fed Home Ln Bk	8/25/2015	\$	60,000.00	11/13/2020	\$	60,002.40
Fed Home Ln Bk Step	10/26/2015	\$	500,000.00	11/25/2020	\$	495,190.00
"	10/27/2015	\$	400,000.00	11/25/2020	\$	396,152.00
"	10/28/2015	\$	400,000.00	11/25/2020	\$	396,152.00
"	10/30/2015	\$	100,000.00	11/25/2020	\$	99,038.00
Fed Natl Mtg Assn	11/24/2015	\$	200,000.00	11/25/2020	\$	197,714.00
Fed Natl Mtg Assn	05/06/215	\$	25,000.00	11/27/2020	\$	24,374.25
Fed Natl Mtg Assn	1/20/2015	\$	42,000.00	11/29/2020	\$	37,763.88
Fed Natl Mtg Assn	10/26/2015	\$	400,000.00	11/30/2020	\$	392,892.00
"	12/4/2015	\$	20,000.00	11/30/2020	\$	19,644.60
"	12/29/2015	\$	15,000.00	11/30/2020	\$	14,733.45
Fed Natl Mtg Assn Step	12/7/2015	\$	307,000.00	12/14/2020	\$	305,796.56
Fed Home Ln Bk	4/28/2015	\$	45,000.00	12/28/2020	\$	43,666.65
Resolution Funding Corp	12/17/215	\$	50,000.00	1/15/2021	\$	44,748.00
Fed Home Ln Bk	7/10/2015	\$	60,000.00	3/12/2021	\$	59,214.00
"	7/16/2015	\$	15,000.00	3/12/2021	\$	14,803.50
"	8/18/2015	\$	15,000.00	3/12/2021	\$	14,803.50
Fed Home Ln Bk	9/8/2015	\$	50,000.00	4/1/2021	\$	49,641.50
Resolution Fdg Corp	3/23/2015	\$	24,000.00	4/15/2021	\$	21,350.88

Fed Home Ln Bk	7/21/2015	\$	20,000.00	6/11/2021	\$	19,794.80
"	7/30/2015	\$	120,000.00	6/11/2021	\$	118,768.80
"	8/6/2015	\$	30,000.00	6/11/2021	\$	29,692.20
"	8/18/2015	\$	10,000.00	6/11/2021	\$	9,897.40
"	9/16/2015	\$	90,000.00	6/11/2021	\$	89,076.60
Resolution Fdg Corp	4/27/2015	\$	16,000.00	7/15/2021	\$	14,072.80
Fed Home Ln Bk	08/17/215	\$	245,000.00	10/29/2021	\$	245,004.90
"	9/16/2015	\$	50,000.00	10/29/2021	\$	50,001.00
Fed Home Ln Bk	10/28/2015	\$	200,000.00	11/24/2021	\$	198,482.00
"	12/8/2015	\$	100,000.00	11/24/2021	\$	99,241.00
"	12/16/2015	\$	200,000.00	11/24/2021	\$	198,482.00
TOTAL		\$	43,603,000.00		\$	42,764,989.52

Sovereign Securities

Israel State U S Govt Gtd NTS	9/1/2011	\$	52,000.00	8/15/2016	\$	51,737.92
Tunisia-Aid	2/21/2014	\$	175,000.00	7/16/2019	\$	175,647.50
TOTAL		\$	227,000.00		\$	227,385.42

Tab 5

RATES OF RETURN SUMMARY

IN PERCENT

PERIODS GREATER THAN ONE YEAR ARE ANNUALIZED

01/02/15 – 12/31/15

	<u>AGGREGATE</u>
TENNESSEE LIFE & HEALTH TOTAL FUND	* 1.10%
90-DAY T BILLS	.03%
1 YR TREASURY INDEX	.32%
2 YR TREASURY INDEX	.69%
FED FUNDS	.126%
3 YEAR TREASURY INDEX	.99%
CITIGROUP GOVT/AGY 1-5 YEAR INDEX	-.34%

.93% RETURN
+ .17% ACCRUED INTEREST
1.10% TOTAL RETURN TO YTD 2015

Tab 6

**TENNESSEE LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

December 31, 2015 and 2014

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

AUDITED FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

December 31, 2015 and 2014

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FAULKNER MACKIE & COCHRAN, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee Life and Health Insurance
Guaranty Association
Nashville, Tennessee

We have audited the accompanying statements of cash receipts and disbursements, and changes in fund balance of the **Tennessee Life and Health Insurance Guaranty Association** (the "Association") for the years ended December 31, 2015 and 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash receipts and disbursements basis of accounting described in Note 1; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

INDEPENDENT AUDITOR'S REPORT

Auditor's Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements, and changes in fund balance of the Tennessee Life and Health Insurance Guaranty Association for the years ended December 31, 2015 and 2014, in accordance with the cash receipts and disbursements basis of accounting as described in Note 1 to the financial statements.

Basis of Accounting

As described in Note 1, the accompanying financial statements are prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Faulkner Mackie & Cochran, P.C.

April 19, 2016

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS, AND CHANGES IN FUND BALANCE

	Year Ended December 31	
	2015	2014
Receipts		
Assessments:		
Class A for general administrative expenses	\$ 400,865	\$ 0
Class B for specific insurer insolvencies	0	0
Total assessments	<u>400,865</u>	<u>0</u>
Estate settlements:		
Life	1,462,279	1,021,377
Annuity	0	247,397
Health	54,298	8,053
Total estate settlements	<u>1,516,577</u>	<u>1,276,827</u>
Premium distributions received	39,260	68,390
Investment income	<u>462,947</u>	<u>236,805</u>
Total Receipts	<u>2,419,649</u>	<u>1,582,022</u>
Disbursements		
Claims paid:		
Life	365,061	510,100
Annuity	15,563	10,113
Health	150,478	187,170
Total claims paid	<u>531,102</u>	<u>707,383</u>
Administrative fees for specific insurer insolvencies	<u>267,595</u>	<u>276,549</u>
General administrative expenses:		
Dues	61,508	63,094
Outside services	125,221	110,760
Other	13,183	19,437
Total general administrative expenses	<u>199,912</u>	<u>193,291</u>
Total Disbursements	<u>998,609</u>	<u>1,177,223</u>
Excess of Receipts over Disbursements	\$ 1,421,040	\$ 404,799
Fund balance at beginning of year	45,391,815	44,564,559
Change in net unrealized gains and losses on investments	<u>(23,734)</u>	<u>422,457</u>
Fund Balance at end of year (Note 2)	<u>\$ 46,789,121</u>	<u>\$ 45,391,815</u>

See accompanying notes to financial statements.

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background: The Tennessee Life and Health Insurance Guaranty Association (the "Association") was created by the Tennessee legislature, effective July 1, 1989, to pay eligible claims and other contractual obligations on existing policies of insolvent life and health insurance companies. The Association is subject to periodic legislative review and has most recently been approved to continue operations through June 30, 2017. Members of the Association include all insurers licensed to write life and health insurance in Tennessee. The Association has no employees; therefore, the Board of Directors has appointed independent contractors to assist with routine operational matters.

Basis of Accounting and Reporting: It is the policy of the Association to prepare its financial statements on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under the cash receipts and disbursements basis of accounting, income is recognized when received and expenses are recognized when paid. Under U.S. GAAP, income is recognized when earned and expenses are recognized when incurred. The financial effects of this difference and other differences from U.S. GAAP have not been determined. Receipts and disbursements related to sales and purchases of investments are not reflected in the accompanying financial statements. However, the Association's fund balance presented herein includes the fair value of its cash, cash equivalents and investments as of the respective date.

Cash Equivalents and Investments: Cash equivalents include highly-liquid, interest-bearing instruments with an original maturity of three months or less at the time of purchase. Cash equivalents are recorded at cost, which approximates fair value. Investments primarily include bonds of the U.S. government and its agencies, and are carried at fair value established by the Association's broker, Morgan Stanley, utilizing a nationally-recognized commercial valuation service.

Investment Income: As presented in the accompanying financial statements, investment income includes interest collected from bonds held by the Association, and net realized and unrealized capital gains and losses from bonds sold or disposed. Realized capital gains and losses are measured on the basis of proceeds received compared to original acquisition cost. Net realized capital gains (losses) totaled \$68,033 and \$(147,799) for the years ended December 31, 2015 and 2014, respectively. Amortization of acquisition premiums and accretion of market discounts are not recognized under the cash receipts and disbursements basis of accounting.

Assessments: The Association may levy two types of assessments, as follows: Class A assessments are levied to cover the general administrative expenses of the Association; and Class B assessments are levied to cover anticipated claims, and legal and administrative expenses, related to specific insurer insolvencies. The Association levied a Class A assessment in March 2015 for calendar years 2015 and 2014. There were no other Class A or B assessments levied by the association during 2015 or 2014.

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes: The Association operates as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code and is generally not subject to federal and state income taxes. In accordance with the Income Taxes Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification, management evaluates the tax-exempt filing positions taken, or expected to be taken, by the Association in its "return of organization exempt from income tax" (Federal Form 990) to determine whether each tax position will "more likely than not" be sustained upon examination.

Management has not identified any uncertain tax positions that require financial statement recognition as of December 31, 2015 or 2014. The Association's tax-exempt returns are subject to examination by the applicable regulatory authorities, generally for a period of three years after the return is filed. As of December 31, 2015, management considers the Association's open tax years to include the returns filed for 2012, 2013, and 2014, as well as the return to be filed for 2015.

Subsequent Events: Management has evaluated subsequent events through April 19, 2016, the date the financial statements were available to be issued.

NOTE 2 – FUND BALANCE

The Association's fund balance consists of cash, cash equivalents, and investments as of the following dates:

	<u>Class A</u>	<u>Class B</u>	<u>Total</u>
December 31, 2015:			
Pinnacle Bank - Cash	\$ 299,557	\$ 217,625	\$ 517,182
Morgan Stanley:			
Cash equivalents	45,746	1,490	47,236
Bonds of the U.S. government and its agencies	0	46,224,703	46,224,703
Total at Morgan Stanley	<u>45,746</u>	<u>46,226,193</u>	<u>46,271,939</u>
Total cash, cash equivalents, and investments	<u>\$ 345,303</u>	<u>\$ 46,443,818</u>	<u>\$ 46,789,121</u>
December 31, 2014:			
First Tennessee Bank - Cash	\$ 81,825	\$ 158,286	\$ 240,111
Morgan Stanley:			
Cash equivalents	60,646	75,332	135,978
Bonds of the U.S. government and its agencies	0	45,015,726	45,015,726
Total at Morgan Stanley	<u>60,646</u>	<u>45,091,058</u>	<u>45,151,704</u>
Total cash, cash equivalents, and investments	<u>\$ 142,471</u>	<u>\$ 45,249,344</u>	<u>\$ 45,391,815</u>

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 – FUND BALANCE - Continued

Maturity Distribution - Bonds: The cost and fair value of bonds held by the Association, categorized by contractual maturity, are summarized as follows at December 31, 2015:

<u>Years to Maturity</u>	<u>Original Acquisition Cost</u>	<u>Fair Value</u>	<u>Percent of Total</u>
One or less	\$ 3,330,887	\$ 3,341,929	7.2%
After one through two	7,646,115	7,618,756	16.5%
After two through five	34,214,877	33,986,974	73.5%
After five	1,286,564	1,277,044	2.8%
Total bonds	<u>\$ 46,478,443</u>	<u>\$ 46,224,703</u>	<u>100.0%</u>

For bonds held by the Association at December 31, 2015 and 2014, the weighted average maturity was 37 months and 38 months, respectively.

Unrealized Capital Gains and Losses of Investments: Comparative aggregate values for the Association's investments, including gross unrealized capital gains and losses, are summarized as follows:

<u>Bonds of the U.S. Government and its Agencies</u>	<u>Original Acquisition Cost</u>	<u>Gross Unrealized Capital Gains</u>	<u>Gross Unrealized Capital Losses</u>	<u>Fair Value</u>
December 31, 2015	<u>\$ 46,478,443</u>	<u>\$ 154,676</u>	<u>\$ 408,416</u>	<u>\$46,224,703</u>
December 31, 2014	<u>\$ 45,245,732</u>	<u>\$ 131,762</u>	<u>\$ 361,768</u>	<u>\$45,015,726</u>

Management routinely monitors the Association's investment portfolio and considers whether a decline in the fair value of an investment should be recognized as an "other-than-temporary" impairment. This analysis typically focuses on bonds that have been in a continuous unrealized loss position for at least twelve months, or which have a significant unrealized loss relative to cost. Factors considered by management include whether the Association intends to sell, or it may be necessary to sell, a bond in the near term before the fair value recovers. As of December 31, 2015 and 2014, management has determined that the Association has sufficient liquidity to preclude the need to sell any bond with an unrealized capital loss before its fair value has recovered. As a result, management deems recognition of an "other-than-temporary" impairment loss to be unnecessary as of the respective reporting date.

Restricted Use of Funds: As indicated in Note 1, the Association has assumed policyholder obligations of insolvent insurers and is a creditor of the estates of such insurers. Accordingly, cash and investments held by the Association as of a reporting date primarily represent the net accumulation of distributions received from the estates of insolvent insurers over policyholder obligations paid. These funds may be used to pay for future insolvency expenses or refunded to members who previously paid Class B assessments to cover policyholder obligations.

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value measurements are generally based upon observable and unobservable inputs. Observable inputs are based on market data from independent sources, while unobservable inputs reflect management's view of market assumptions in the absence of observable market information. The Fair Value Topic of the FASB Accounting Standards Codification prescribes a fair value hierarchy based on the quality of inputs used to measure fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1: Fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities, and, as such, do not entail a significant degree of judgment.

Level 2: Fair value measurements are based on quoted market prices for similar assets or liabilities in active markets; quoted prices by independent pricing services for identical or similar assets or liabilities in markets that are not active; and valuation techniques that use models and other observable market data. All significant inputs are observable, or derived from observable information in the marketplace, or are supported by observable levels at which transactions are executed in the market place.

Level 3: Fair value measurements are based on instruments that use non-binding broker quotes or model driven valuations that do not have observable market data.

Cash equivalents and investments held by the Association are measured and reported at fair value on a recurring basis. The fair values of these financial instruments are categorized in accordance with the fair value hierarchy and presented in the following table:

	Fair Value Measurements Using:			Total Fair Value
	Level 1	Level 2	Level 3	
December 31, 2015:				
Cash equivalents	\$ 47,236	\$ 0	\$ 0	\$ 47,236
Bonds of the U.S. government and its agencies	0	46,224,703	0	46,224,703
Total	<u>\$ 47,236</u>	<u>\$ 46,224,703</u>	<u>\$ 0</u>	<u>\$ 46,271,939</u>
December 31, 2014:				
Cash equivalents	\$ 135,978	\$ 0	\$ 0	\$ 135,978
Bonds of the U.S. government and its agencies	0	45,015,726	0	45,015,726
Total	<u>\$ 135,978</u>	<u>\$ 45,015,726</u>	<u>\$ 0</u>	<u>\$ 45,151,704</u>

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Policy for Determining When to Recognize Transfers Between Levels of the Fair Value Hierarchy:

With respect to assets and liabilities measured and reported at fair value on a recurring basis, the Association evaluates, at the end of the reporting period, whether any event or change in circumstances has occurred that requires a transfer between levels. During 2015 and 2014, no transfers between levels were required.

NOTE 4 – ESTATE SETTLEMENTS

Estate settlements were received from insurer insolvencies during the years ended December 31, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
American Community Mutual Insurance Company	\$ 0	\$ 749
Executive Life Insurance Company of New York	0	66,669
First National Life Insurance Company of America	0	622,790
Life and Health Insurance Company of America	0	7,304
Lincoln Memorial Life Insurance Company	1,127,765	182,446
London Pacific Life and Annuity Company	0	119
Lumbermens Mutual Insurance Company	2,897	0
Reliance Insurance Company	51,401	0
Universal Life Insurance Company	<u>334,514</u>	<u>396,750</u>
Total	<u>\$ 1,516,577</u>	<u>\$ 1,276,827</u>

NOTE 5 – CONTINGENCIES

Uninsured Cash Balances: The Federal Deposit Insurance Corporation ("FDIC") insures the total amount deposited by each customer in a participating bank up to its basic limit of \$250,000. Effective as of the close of business on December 31, 2015, the Company has an aggregate cash balance on deposit with one commercial bank that exceeds the basic FDIC insurance limit by approximately \$267,000.

Litigation: The Association is involved in litigation pursuant to matters that arise in connection with the Association's responsibility to settle or otherwise resolve asserted and unasserted claims against insolvent insurers. The Association has also been informed of the possibility of other companies becoming "insolvent insurers" and of various potential covered claims, the magnitude of which cannot be currently estimated until such claims are formally asserted against the Association. The effects, if any, of such claims and corresponding assessments will be reflected in the financial statements of the Association when paid or received.

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 – CONTINGENCIES – Continued

Investment Risks and Uncertainties: The Association's investment securities and cash equivalents are inherently exposed to a variety of market risks, credit risks, and uncertainties due to factors such as deteriorating economic conditions, interest rate volatility, adverse industry developments, and market dislocation. The Association is also subject to risks and uncertainties resulting from inflated fair value representations by third parties, delays in the payment of funds upon investment disposal or maturity, and the actual loss of investment funds due to criminal fraud, theft, and other illegal acts perpetrated by investment brokers and custodians.

As a result of these exposures to inherent risks and uncertainties, it is at least reasonably possible that changes in the fair value of investments and cash equivalents held by the Association will occur in the near term and that such changes could materially affect the Fund Balance of the Association reported herein as of December 31, 2015.

Healthcare Legislation: The Patient Protection and Affordable Care Act (the "Act") was signed into law by the President of the United States on March 23, 2010. This legislation is expected to shape the national healthcare landscape for years to come. As a result, management believes the Act will continue to have an effect on insurance companies that provide healthcare coverage, as various provisions of the Act continue to be implemented and updated. However, the ultimate impact on the Association and its member companies is not currently determinable.

NOTE 6 – INSURER INSOLVENCIES

Since creation of the Association, the Board of Directors has been involved with administering claim settlements of the following 54 insurer insolvencies:

<u>Company Name</u>	<u>Year of Insolvency</u>
SeeChange Health Insurance Company	2015
Red Rock Insurance Company	2014
Lumbermens Mutual Insurance Company	2013
National States Insurance Company	2011
Universal Life Insurance Company / Booker T. Washington Insurance Company	2010
Medical Savings Insurance Company	2009
Lincoln Memorial Life Insurance Company	2008
Benicorp Insurance Company	2007
Shelby Casualty Insurance Company	2006
States General Life Insurance Company	2005
Life and Health Insurance Company of America	2004
London Pacific Life and Annuity Company	2004
Legion/Villanova Insurance Company	2002
Reliance Insurance Company	2001
American Chambers Life Insurance Company	2000
National Affiliated Investors Insurance Company	2000

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 6 – INSURER INSOLVENCIES – Continued

<u>Company Name</u>	<u>Year of Insolvency</u>
First National Life Insurance Company of America	1999
Franklin American Life Insurance Company	1999
International Financial Services Life Insurance Company	1999
Settlers Life Insurance Company	1999
Statesman National Life Insurance Company	1999
Centennial Life Insurance Company	1998
American Western Life Insurance Company	1997
First National Life Insurance Company	1997
Florida Life Insurance Company	1997
Coastal States Life Insurance Company	1996
National American Life Insurance Company	1996
National Heritage Life Insurance Company	1995
Confederation Life Insurance Company	1994
Integrated Resources Life Insurance Company	1994
Kentucky Central Life Insurance Company	1994
Mutual Benefit Life Insurance Company	1994
Old Colony Life Insurance Company	1994
Pacific Standard Life Insurance Company	1994
Summit National Life Insurance Company	1994
American Integrity Insurance Company	1993
Andrew Jackson Life Insurance Company	1993
Atlantic and Pacific Life Insurance Company of America	1993
Georgia Life and Health Insurance Company	1993
Investment Life Insurance Company of America	1993
New Jersey Life Insurance Company	1993
Executive Life Insurance Company	1991
George Washington Life Insurance Company	1991
Guarantee Security Life Insurance Company	1991
Inter-American Insurance Company of Illinois	1991
Legacy Life Insurance Company	1991
Midwest Life Insurance Company	1991
Mutual Security Life Insurance Company	1991
Underwriters Life Insurance Company	1991
United Equitable Life Insurance Company	1991
Life of Indiana Insurance Company	1990
Amalgamated Labor Life Insurance Company	1989
American Sun Life Insurance Company	1989
Diamond Benefits Life/Life Assurance Company of Pennsylvania	1988

SUPPLEMENTARY INFORMATION

FAULKNER MACKIE & COCHRAN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

One American Center
3100 West End Avenue, Suite 700
Nashville, Tennessee 37203-1372

Telephone: (615) 292-3011
Fax: (615) 269-9047
Website: www.fmccpa.com

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Tennessee Life and Health Insurance
Guaranty Association
Nashville, Tennessee

We have audited the statements of cash receipts and disbursements, and changes in fund balance of the **Tennessee Life and Health Insurance Guaranty Association** for the years ended December 31, 2015 and 2014, and have issued our report thereon dated April 19, 2016, which expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the statements of cash receipts and disbursements, and changes in fund balance as a whole.

The accompanying supplementary information, titled "Combining Statement of Cash Disbursements," for the years ended December 31, 2015 and 2014, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Faulkner Mackie & Cochran, P.C.

April 19, 2016

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

COMBINING STATEMENT OF CASH DISBURSEMENTS

Year Ended December 31, 2015

	General and Administrative Account	Executive Life Insurance Company (CA)	Life and Health Insurance Company of America	Lincoln Memorial Insurance Company	National States Insurance Company	Penn Treaty Network of America	Universal Life Insurance Company / Booker T. Washington Insurance Company	Other Insolvency Accounts	Total
Claims paid:									
Life	\$ 0	\$ 20,630	\$ 0	\$ 250,000	\$ 0	\$ 0	\$ 94,431	\$ 0	\$ 365,061
Annuity	0	15,563	0	0	0	0	0	0	15,563
Health	0	0	59,077	0	90,000	0	285	1,116	150,478
Total claims paid	0	36,193	59,077	250,000	90,000	0	94,716	1,116	531,102
Administrative fees for specific insurer insolvencies	0	1,434	5,790	158,994	5,636	69,302	14,962	11,477	267,595
General administrative expenses:									
Dues	61,508	0	0	0	0	0	0	0	61,508
Outside services	125,221	0	0	0	0	0	0	0	125,221
Other	13,183	0	0	0	0	0	0	0	13,183
Total general administrative expenses	199,912	0	0	0	0	0	0	0	199,912
Total Disbursements	\$ 199,912	\$ 37,627	\$ 64,867	\$ 408,994	\$ 95,636	\$ 69,302	\$ 109,678	\$ 12,593	\$ 998,609

See independent auditor's report on supplementary information.

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

COMBINING STATEMENT OF CASH DISBURSEMENTS

Year Ended December 31, 2014

	General and Administrative Account	Executive Life Insurance Company (CA)	Life and Health Insurance Company of America	Lincoln Memorial Insurance Company	National States Insurance Company	Penn Treaty Network of America	Universal Life Insurance Company / Booker T. Washington Insurance Company	Other Insolvency Accounts	Total
Claims paid:									
Life	\$ 0	\$ 27,046	\$ 0	\$ 400,000	\$ 0	\$ 0	\$ 83,054	\$ 0	\$ 510,100
Annuity	0	10,113	0	0	0	0	0	0	10,113
Health	0	0	57,466	0	129,704	0	0	0	187,170
Total claims paid	0	37,159	57,466	400,000	129,704	0	83,054	0	707,383
Administrative fees for specific insurer insolvencies	0	1,531	7,534	154,399	5,918	83,115	15,399	8,653	276,549
General administrative expenses:									
Dues	63,094	0	0	0	0	0	0	0	63,094
Outside services	110,760	0	0	0	0	0	0	0	110,760
Other	19,437	0	0	0	0	0	0	0	19,437
Total general administrative expenses	193,291	0	0	0	0	0	0	0	193,291
Total Disbursements	\$ 193,291	\$ 38,690	\$ 65,000	\$ 554,399	\$ 135,622	\$ 83,115	\$ 98,453	\$ 8,653	\$ 1,177,223

See independent auditor's report on supplementary information.

EXHIBIT C



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY – 7th FLOOR
NASHVILLE, TENNESSEE 37243-1135

March 24, 2015

CERTIFIED MAIL
7012 1010 0003 2379 5193

Mr. Dan Elrod, Administrator
Tennessee Life and Health Insurance Guaranty Association
150 Third Avenue South, Suite 1600
Nashville, TN 37201

RE: **Financial Condition Examination of
Tennessee Life and Health Insurance Guaranty Association**

Dear Mr. Elrod:

Enclosed please find a copy of the Report of Examination for Tennessee Life and Health Insurance Guaranty Association made as of December 31, 2013. If you are in agreement with the report, please respond immediately, in writing, to that effect. Your response may be submitted via email to my attention at joy.little@tn.gov.

If you wish to make a written submission or rebuttal with respect to any matter contained within the report, pursuant to Tenn. Code Ann. 56-1-411(d)(1), please provide this office with your company's position by April 9, 2015. When preparing your submission or rebuttal, please quote the Comment, Recommendation or page number from the report and detail your comments, providing any supporting documentation.

Should you have questions, you may reach me at (615) 741-1869. We appreciate your timely assistance with this matter.

Sincerely,

E. Joy Little, CPA, CFE, MCM
Insurance Examinations Director/Chief Examiner
hd
Enclosure



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY
ASSOCIATION
NASHVILLE, TENNESSEE

AS OF
DECEMBER 31, 2013

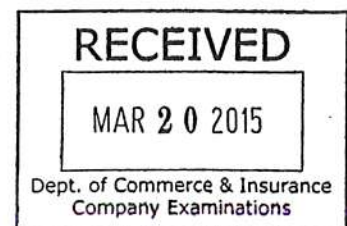


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Nashville, Tennessee
March 19, 2015

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce & Insurance
Davy Crockett Tower, 12th floor
500 James Robertson Parkway
Nashville, Tennessee 37243-0565

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws and regulations, a full-scope financial examination as of December 31, 2013, has been made of the condition and affairs and of the:

TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

150 Third Avenue South, Suite 1600
Nashville, Tennessee 37201

hereinafter generally referred to as the "Association", and a report thereon is submitted as follows:

INTRODUCTION

This examination is arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI). The examination commences on October 1, 2014. The Association is the guaranty association covering life and health insurance business in the State of Tennessee. The examination is performed by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

The Department completed the last examination of the Association as of December 31, 2008. This examination report covers the period from January 1, 2009, through December 31, 2013, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination is conducted in accordance with the NAIC *Financial Condition Examiners Handbook* and practices and procedures of the TDCI. The examination is

planned to evaluate the financial condition of and identify prospective risks of the Association by obtaining information about the Association, including corporate governance, identifying and assessing inherent risks within the Association, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with "Cash Accounting," when consistent with Tennessee statutes and regulations.

Our examination includes a review of the Association's business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination includes tests to provide reasonable assurance that the Association was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we give consideration to the concepts of materiality and risk, and our examination efforts are directed accordingly.

The Association is audited annually by the independent public accounting firm of Faulkner Mackie & Cochran, P.C. The firm expressed unqualified opinions on the Association's financial statements for calendar years 2009 to 2013. We reviewed the workpapers prepared by the independent public accounting firm related to the audit for the year end December 31, 2013. Our examination efforts concentrated on the year end December 31, 2013.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The previous Report on Examination dated April 29, 2011, which covered the period from January 1, 2004, through December 31, 2008, contained no recommendations to the Association. No compliance issues were noted requiring action on the part of the Association.

ASSOCIATION HISTORY

The Association was organized pursuant to Tennessee Life and Health Insurance Guaranty Act, effective July 1, 1989. Under provisions of the Act, the Commissioner of Insurance appointed a Board of Directors composed of nine (9) members who submitted a Plan of Operation effective July 1, 1989. The Plan is discussed under the caption, "TERRITORY AND PLAN OF OPERATION" in this report.

The Association provides a mechanism to pay eligible claims and other contractual obligations on existing policies of insolvent life and health insurance companies.

Members of the Association include all insurers licensed to write life, annuity, or accident and health insurance in Tennessee.

DIVIDENDS

No dividends or distributions have been paid to the members of the Association since its inception.

MANAGEMENT AND CONTROL

Management

Management of the Association is vested in a Board of Directors elected by member insurers as provided in Tenn. Code Ann. § 56-12-206. In accordance with the Plan of Operation and statute, the Board shall consist of not less than five (5) nor more than nine (9) Members.

Regular and special meetings of the Board may be held on the request of any two Board members. The Plan of Operation states that the Board shall meet annually in the month of October, and also upon notice from the Commissioner of any insolvency of a member insurer.

The following persons were duly elected and serving as Members of the Association's Board of Directors at December 31, 2013:

<u>Name</u>	<u>Company Affiliation</u>
Sharon K. Roberson, Chairman	American General Life Insurance Company
Edward K. Lancaster, Vice Chairman	Tennessee Farmers Life Insurance Company
William Dickson Williams, Secretary	Plateau Insurance Company
Jeff Shay	State Farm Insurance Companies
Elizabeth H. Simon	Unum Group
J. Barclay Phillips	BlueCross BlueShield of Tennessee
Tim Vessell	CIGNA Healthcare
Michael A. Jennings	Prudential Insurance Company of America
Barrie Balzli Stokes	Provident Life Insurance Company

D. Michael Graham also serves as an Alternate Director, representing Plateau Insurance Company.

The Board of Directors has appointed the following Committees to help provide oversight of the affairs of the Association:

Audit Committee

<u>Name</u>	<u>Company Affiliation</u>
D. Michael Graham	Plateau Insurance Company
Barry Hopkins	American General Life and Accident Insurance Company
Wayne Merrill	Tennessee Farmers Life Insurance Company

The Audit Committee additionally functions as the Investment Committee.

A Nominating Committee made up of three member insurers has been established to vet potential Board and Committee Members to fill vacant positions. The members of the committee are as follows:

Nominating Committee

BlueCross BlueShield of Tennessee
Protective Life Insurance Company
Plateau Insurance Company

Control

Primary control of the Association is vested in its Members. Membership is composed of all insurance companies authorized to write life, annuity, or accident and health insurance business in the state of Tennessee.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Association has a Conflict of Interest Policy which is intended to govern the actions of all directors, the Administrator, the assistant to the Administrator, and consultants retained by the Association, directly or through the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA"). These persons file annual conflict of interest questionnaires. No conflicts were noted in the review of the signed questionnaires.

No director or officer of the Association had pecuniary interest in the investment or disposition of Association funds.

CORPORATE GOVERNANCE

Corporate Governance is the system by which business corporations are directed and controlled. During our examination, we reviewed the Association's corporate governance function, including the Association's risk management process.

The Association has no employees. Therefore, risks are identified by the Board of Director Members, the Association Administrator, and the servicing companies. The Association's risk management process contains open communication between Members, officers, and servicing companies. Timely reporting is observed. These procedures allow management to make informed business decisions. Results from the process produce reporting and monitoring of the identified risks, as well as developing mitigation plans, when necessary.

CORPORATE RECORDS

Charter and Bylaws

No charter or bylaws are required to be filed, as the Association operates in accordance with Tenn. Code Ann. § 56-12-201 *et seq.* pursuant to its approved "Plan of Operation."

Corporate Minutes

The minutes of the meetings of the Board of Directors, the committees of the Board of Directors, and various documentation were reviewed for the period under examination. The minutes of meetings of the Board and the committees for the current examination period appear to properly document and support significant transactions and events of the Association.

SERVICE AGREEMENTS

The Association uses independent contractors to perform the functional duties of the Association.

Administrative and Management Services

Mr. Dan Elrod, a partner in the law firm of Butler Snow acts as administrator for the Association. The Administrator provides the following services with the assistance of Ms. Renee Birdwell who acts in the capacity of Assistant to Administrator:

1. "Provide legal advice to the Association on various matters as requested;
2. Establish and maintain the required accounts for the Association;
3. Establish and maintain all books and records relating to the operation of the Association;
4. Distribute required assessments and account for remittances;

5. Handle all policyholder claims, correspondence, telephone inquiries and other routine matters associated with the administration of the Association;
6. Coordinate with the appropriate persons in the TDCI regarding guaranty fund activities;
7. Coordinate with the appropriate persons in NOLHGA regarding fund activities;
8. Attend and participate in meetings of NOLHGA, NOLHGA Task Forces that affect the Association and the NOLHGA legal section seminar;
9. Record and maintain the minutes of the Association;
10. Advise the Board regarding reinsurance matters and other contractual matters;
11. Supervise services performed by other vendors, including data processing and assessment preparation."

A Letter of Proposal is submitted on a yearly basis.

Accounting Services

Faulkner Mackie & Cochran, P.C. perform the annual audit of the Association and provide tax services to assist the Association with the filings required for non-profit organizations.

An engagement letter is submitted on a yearly basis.

Investment Management Services

Morgan Stanley Smith Barney LLC assist the Association with investment management and counseling.

FIDELITY BOND AND OTHER INSURANCE

Since Tenn. Code Ann. § 56-12-216 provides immunity from liability, the Association has elected to self-insure its operations and retain no outside insurance coverage. Tenn. Code Ann. § 56-12-216 provides as follows:

- (a) There shall be no liability on the part of, and no cause of action of any nature shall arise against, any member insurer or its agents or employees, members of the board of directors, or the commissioner or the commissioner's representatives, for any action or omission by them in the performance of their powers and duties under this part.

- (b) This immunity shall extend to the participation in any organization of one (1) or more other state associations of similar purposes and to any such organization and its agents and employees.

TERRITORY AND PLAN OF OPERATION

The Association was organized pursuant to, and operates in accordance with, Tenn. Code Ann. § 56-12-201, *et seq.* (Tennessee Life and Health Insurance Guaranty Act), (the "Act") under a Plan of Operation adopted pursuant to the Act and approved by the Commissioner. The Association is composed of all insurance companies authorized to write life, annuity, or accident and health insurance business in the state of Tennessee. The Association provides coverage to Tennessee residents who are insured by or are beneficiaries of, insurance policies issued by member companies.

Operations are under the direction of a Board of Directors composed of nine (9) member insurance companies elected by the Members and approved by the Commissioner as further described under the caption, "MANAGEMENT AND CONTROL" in this report.

The obligations to provide coverage are triggered upon the finding of insolvency and an order of liquidation with respect to a member company. The Act also provided limited discretionary authority for the Association to provide coverage in the event that a member company becomes impaired, but to date, the Association has not exercised this discretionary authority, and has provided coverage only in the event of insolvency and liquidation.

Lines of business covered by the Association, as defined in the Act, are as follows:

- Life
- Annuity
- Health
- Life and annuity contracts issued in connection with plans qualified under Internal Revenue Code, Section 403(b).

Effective January 1, 2011 the separate category for 403(b) plans was eliminated and life and annuity contracts with such plans are treated the same as any of the life insurance or annuity contracts.

The limits of coverage provided by the Association to Tennessee residents are as follows:

- Life insurance death benefits - \$300,000
- Life insurance surrender benefits - \$100,000
- Present value of annuity benefits for companies declared insolvent before July 1, 2009 - \$100,000
- Present value of annuity benefits for companies declared insolvent after June 30, 2009 - \$250,000

- Health insurance benefits for companies declared insolvent before January 1, 2010 - \$100,000
- Health insurance benefits for companies declared insolvent on or after January 1, 2010:
 - \$100,000 for limited benefits and supplemental health coverages
 - \$300,000 for disability and long term care insurance
 - \$500,000 for basic hospital medical and surgical insurance or major medical insurance

Funding to the Association is provided by assessments of member companies. Class A assessments shall be for administrative costs, legal costs and other costs of operation. This assessment can be on a pro rata or non-pro rata basis. A non-pro rata Class A assessment shall not exceed \$150 per member for a calendar year. Class B assessments shall be made to carry out the Association's powers and duties with regard to an impaired or insolvent insurer. Each member's share of a Class B assessment is determined according to the following pro-ration formula.

A Member company's Tennessee premium for the three (3) years prior to the date of insolvency for the affected line of business – divided by Tennessee premium for all companies for the affected line of business

The Association's capacity to assess member companies for all assessments is limited by calendar year to two percent (2%) of each company's average annual premium for the three (3) years prior to the date of insolvency.

As of December 31, 2013, there were seven (7) active open insolvencies with material activity during the 2013 year being administered by the Association. The insolvencies are as follows:

<u>Name of Company</u>	<u>Date of Impairment/Insolvency</u>
Executive Life Insurance Company (CA)	12/06/1991
Executive Life Insurance Company of New York	04/23/1991
Life and Health Insurance Company of America (PA)	07/02/2004
Lincoln Memorial Life Insurance Co. (TX)	08/11/2008
National States Insurance Company (MO)	11/15/2010
Penn Treaty Network America Insurance Co. (PA)	01/06/2009
Universal Life Insurance Company (AL)/Booker T. Washington Insurance Company (AL)	05/05/2010

The Association is a member of the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") which assists in the performance of many functions involving the insolvencies of multi-state insurers. The nature of their activities as summarized in the NOLHGA Audited Financial Statement is as follows:

"NOLHGA is a voluntary organization comprised of the life and health guaranty associations of all 50 states and the District of Columbia. NOLHGA collects and disseminates information related to life and health insurance company impairments and insolvencies, and serves as a national clearinghouse for the transfer of funds and the resolution of issues and problems facing life and health guaranty associations in handling multi-state impairments and insolvencies of life and health insurance companies. It also provides a forum for the analysis of operational issues for member associations. NOLHGA acts on behalf of its member guaranty associations to arrange claims processing, complete due diligence of impaired or insolvent companies' financial, legal and actuarial status, and collect and analyze reinsurance bids."

GROWTH OF ASSOCIATION

According to annual reports filed with the TDCI, the following table provides the financial history of the Association since the previous examination.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Value / Net Assets</u>	<u>Type A Assessment Collected</u>	<u>Type B Assessment Collected</u>
2013	\$44,564,559	\$0	\$44,564,559	\$404,805	\$0
2012	\$46,677,848	\$0	\$46,677,848	\$300	\$1,229
2011	\$52,302,525	\$0	\$52,302,525	\$399,615	\$0
2010	\$40,780,959	\$0	\$40,780,959	\$150	\$2,731,081*
2009	\$38,065,515	\$0	\$38,065,515	\$150	\$0

The Class B assessment in the amount of \$2,750,000 was levied in June of 2010 in order to fund the insolvencies of Benicorp Insurance Company and States General Life Insurance Company. The most recent Class A assessment for operating expenses was approved in October of 2012 to be levied in January of 2013 for the 2013 and 2012 years. An assessment of \$150 per member per year is allowable.

*In some cases, companies no longer do business in Tennessee or cease to exist. Further collection efforts are not cost effective.

ACCOUNTS AND RECORDS

The Association's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). Our review did not disclose any significant deficiencies in these records.

Accounting records conformed to cash receipts and disbursement accounting practices and reflected the Association's operations during the period under examination and the status of the Association at the date of examination.

Faulkner Mackie & Cochran, P.C., Nashville, Tennessee annually audited the Association.

COMMITMENTS AND CONTINGENCIES

At December 31, 2013, the Association had deposits at one commercial bank which exceeded the Federal Deposit Insurance Corporation basic limit of \$250,000 by approximately \$149,000.

The Association has been informed of the possibility of other companies becoming "insolvent insurers" and of various potential covered claims. The amount of such claims cannot be currently estimated until such claims are formally asserted against the Association.

The investment securities and cash equivalents owned by the Association are inherently exposed to market risks, credit risks and other factors such as economic conditions, interest rate volatility, and adverse industry trends. These risks create the possibility that changes in the fair value of the investment portfolio could occur in the near term which could materially affect the Fund Balance reported as of December 31, 2013.

The Company provided the following statement concerning changes in national healthcare law:

"The Patient Protection and Affordable Care Act (the "Act") was signed into law by the President of the United States on March 23, 2010. This legislation has the potential to change the national healthcare landscape for years to come. As a result, management believes the Act will impact insurance companies that provide healthcare coverage, as various provisions of the Act are implemented. However, the ultimate impact on the Association and its member companies is not currently determinable."

PRIVACY STATEMENT

Privacy of Non-Public Personal Information

The Association has adopted a Privacy Statement which states the following:

"The Association is a nonprofit association created by state law to protect policyholders in event of insurance insolvencies. Because the Association is not a commercial entity in the business of engaging in financial activities, it is not a financial institution under the Gramm-Leach-Bliley Act enacted by Congress in 1999 to govern disclosure of nonpublic personal financial information. Moreover, the Association does not fit the definition of "Licensee" within the meaning of Tennessee legislation.

Notwithstanding the above, the Association continues to recognize the importance of limiting the disclosure of any nonpublic personal information of policyholders than may come into its possession incident to the fulfillment of its statutory mission of protecting policyholders affected by the impairment or insolvency of an insurance company. Therefore, it is the policy of the Association to refrain from disclosing any nonpublic personal information of policyholders other than in connection with the fulfillment of its statutory obligations or as otherwise permitted or required by law."

FINANCIAL STATEMENTS

The following is a statement of assets, liabilities and statement of revenue and expenses as of December 31, 2013, together with a reconciliation of reserves and unassigned funds for the period under review:

ASSETS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$464,765	\$667,400	\$1,227,567	\$279,199	\$390,182
Investments	<u>44,099,794</u>	<u>46,010,448</u>	<u>51,074,958</u>	<u>40,501,760</u>	<u>37,675,333</u>
Total assets	<u>\$44,564,559</u>	<u>\$46,677,848</u>	<u>\$52,302,525</u>	<u>\$40,780,959</u>	<u>\$38,065,515</u>

LIABILITIES

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Liabilities	\$0	\$0	\$0	\$0	\$0
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>44,564,559</u>	<u>46,677,848</u>	<u>52,302,525</u>	<u>40,780,959</u>	<u>38,065,515</u>
Fund Balance	<u>\$44,564,559</u>	<u>\$46,677,848</u>	<u>\$52,302,525</u>	<u>\$40,780,959</u>	<u>\$38,065,515</u>

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>RECEIPTS</u>					
Assessments:					
Class A	\$404,805	\$300	\$399,615	\$150	\$150
Class B	<u>0</u>	<u>1,229</u>	<u>0</u>	<u>2,731,081</u>	<u>0</u>
Total assessments	<u>404,805</u>	<u>1,529</u>	<u>399,615</u>	<u>2,731,231</u>	<u>150</u>
Estate Settlements:					
Life	122,979	577,611	8,521,656	204,033	5,680
Annuity	2,347	11,500	3,306,796	4,197	499,323
Health	<u>492,713</u>	<u>438,717</u>	<u>1,124,213</u>	<u>1,223,501</u>	<u>126,938</u>
Total settlements	<u>618,039</u>	<u>1,027,828</u>	<u>12,952,665</u>	<u>1,431,731</u>	<u>631,941</u>
Premium distributions received	67,236	1,034,758	2,046,856	17,202	0
Investment income	<u>588,196</u>	<u>736,963</u>	<u>558,088</u>	<u>564,177</u>	<u>765,384</u>
Total revenues	<u>1,678,276</u>	<u>2,801,078</u>	<u>15,957,224</u>	<u>4,744,341</u>	<u>1,397,475</u>
<u>DISBURSEMENTS</u>					
Claims paid:					
Life	469,575	4,344,283	3,353,393	801,181	983,398
Annuity	1,519,787	2,676,936	280,990	289,013	322,133
Health	<u>491,365</u>	<u>446,892</u>	<u>499,591</u>	<u>176,764</u>	<u>133,071</u>
Total claims paid	<u>2,480,727</u>	<u>7,468,111</u>	<u>4,133,974</u>	<u>1,266,958</u>	<u>1,438,602</u>
Return of prior estate settlements	<u>0</u>	<u>0</u>	<u>0</u>	<u>109,467</u>	<u>0</u>
Administrative fees for specific insurer insolvencies	<u>151,441</u>	<u>364,861</u>	<u>445,939</u>	<u>360,246</u>	<u>99,585</u>
General administrative expenses:					
Dues	63,194	57,273	51,722	53,355	53,505
Outside services	109,340	99,643	99,878	133,858	102,130
Other	<u>19,911</u>	<u>19,367</u>	<u>18,610</u>	<u>22,867</u>	<u>11,707</u>
Total general administrative expenses	<u>192,445</u>	<u>176,283</u>	<u>170,210</u>	<u>210,080</u>	<u>167,342</u>
Total Disbursements	<u>2,824,613</u>	<u>8,009,255</u>	<u>4,750,123</u>	<u>1,946,751</u>	<u>1,705,529</u>

Excess / Deficit of Receipts over Disbursements	(1,146,337)	(5,208,177)	11,207,101	2,797,590	(308,054)
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FUND BALANCE

Fund Balance at beginning of year	46,677,848	52,302,525	40,780,959	38,065,515	38,692,653
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Change in net unrealized gains and losses on investments	<u>(966,952)</u>	<u>(416,500)</u>	<u>314,465</u>	<u>(82,146)</u>	<u>(319,084)</u>
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Fund Balance at end of year	<u>\$44,564,559</u>	<u>\$46,677,848</u>	<u>\$52,302,525</u>	<u>\$40,780,959</u>	<u>\$38,065,515</u>
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ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no changes to the financial statement as a result of this examination.

SUBSEQUENT EVENTS

Mr. David Kumatz replaced Sharon Roberson as the Chairman of the Board of Trustees during 2014. Mr. Kumatz represents American General Life Insurance Company, which is the succession of American General Life and Accident Insurance Company through a merger.

COMMENTS AND RECOMMENDATIONS

Based upon the results of this examination, the Association is in compliance with the Tennessee Life and Health Insurance Guaranty Act (Tenn. Code Ann. § 56-12-201 *et seq.*)

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners and the Tennessee Department of Commerce and Insurance, have been utilized in connection with the verification and valuation of assets and the determination of liabilities in the financial statements of this report.

In such manner, it was determined that as of December 31, 2013, the Association had net admitted assets of \$44,564,559, liabilities of \$0, and net assets (net fund balance) of \$44,564,559.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Keith M. Patterson", is written over a horizontal line.

Keith M. Patterson
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of the Tennessee Life and Health Insurance Guaranty Association, dated March 19, 2015 and made as of December 31, 2013, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.



Keith M. Patterson
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 20th day of March, 2015

Notary Helen W. Dorsey

My Commission Expires: 11/06/2017

